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ABSTRACT

The financing of vocational education and training (VET) in Finland was examined. The analysis included consideration of the following: the legal, political, economic, and administrative background to financing of the VET system; European Union, state, regional, municipal, and social partner funding of the various types of initial and continuing VET in Finland; funding of training for unemployed individuals; and the future of VET financing in Finland. The study revealed that the system for funding VET in Finland has changed several times during the 1980s and 1990s. In recent years, the general emphasis has shifted to delegation of responsibility for VET funding to the local and regional levels. Several funding options for the future have been proposed, including abolishing targeted municipal subsidies in favor of general subsidies and instituting performance-based funding. However, a significant number of educational experts believe that no further funding reforms should be made until the current funding system has been allowed to stabilize over the next 5-10 years so that the effects of recent funding reforms can be evaluated fully. (Forty-five tables/figures are included. Appended are the following: outline of legislative development of VET in Finland; glossary; seven tables detailing expenditures on VET; and nine references.) (MN)

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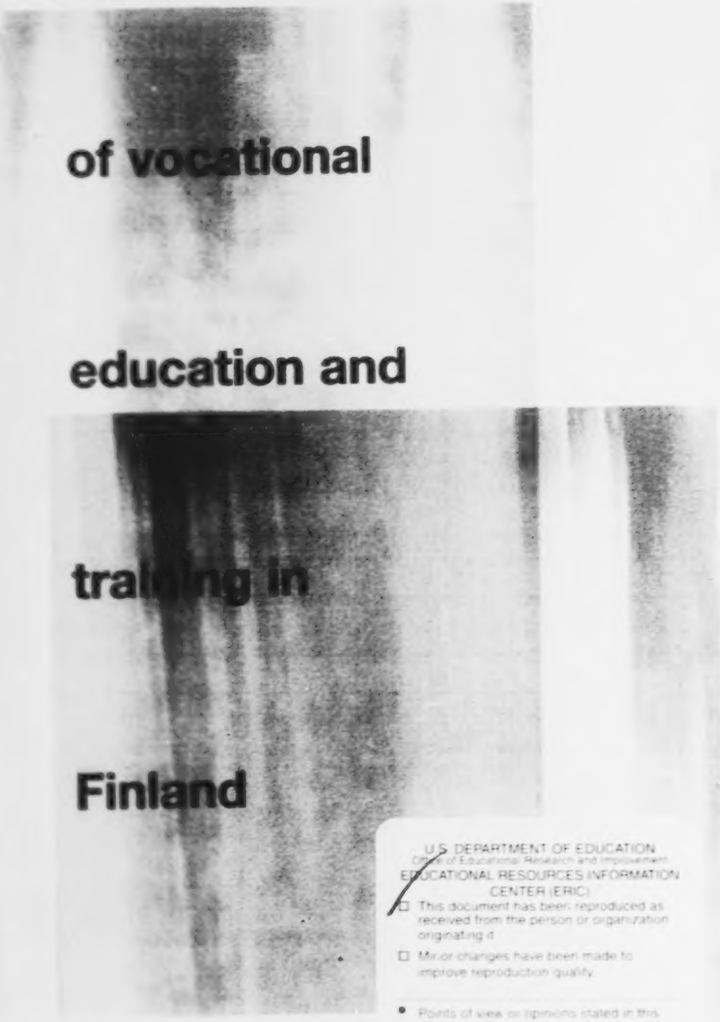

The financing of vocational education and training in Finland

Financing portrait

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The financing of vocational education and training in Finland

Financing portrait

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Foreword by

Sarah Elson-Rogers/Sven-Åge Westphalen

At the end of 1997, CEDEFOP launched a project to produce financing portraits of the vocational education and training (VET) systems within the individual Member States of the European Union. The portraits combine a qualitative description of the flow of funding through the VET structures, identifying the funding sources and allocation mechanisms, with quantitative data on expenditure for different training types. The reports are structured around initial vocational training, continuing vocational training and training for the unemployed. In recognition of the increasing overlap among these training types, some of the reports include an extra section on combined forms of training.

At the outset of the project, CEDEFOP asked the individual national authors to follow a uniform structure for the presentation of their financing training systems. This structure centred on the following issues with regard to initial and continuing vocational training and training for the unemployed:

- outlining the economic, political, legal and administrative background to the financing of the VET system;
- defining the different types of training according to the national context;
- identifying the funding sources (e.g. European Union, central government, regional/local government, employers, individuals, etc.);
- explaining the mechanisms for the distribution of funding;
- identifying the expenditure levels over 10 years (1986-1996 or the most recently available years);
- concluding and discussing the trends and perspectives of the financing VET system.

The authors were requested, where possible, to distinguish between private/public and direct/indirect funding sources and to identify capital and revenue funding. They were also asked to provide a breakdown of expenditure according to the different sources of funding for each training type.

While defining a common structure for each report allows for broad comparisons between the different systems and easier cross-referencing between the reports, it does not allow for detailed trans-national comparisons. It was acknowledged at the outset of this project that creating comparable reports would not be possible for a number of reasons, including:

- Training definitions: initial vocational training, continuing vocational training and training for the unemployed mean something different within individual national contexts. While creating a "standard" definition of each training type would have facilitated comparability, it would have complicated the process of gathering and presenting data. For this reason, each author was requested to use a nationally-based definition.

- Data: there are a number of general obstacles to obtaining comparable data, for example: the lack of common definitions, different national accounting procedures and the problems of identifying expenditure where funding sources are diverse and estimates are based on surveys. More specific obstacles include the difficulty of aggregating data where funding is decentralised and estimating indirect sources of expenditure.

A number of barriers to achieving even basic common parameters arose as the work developed. Among others, these included:

- The increasing overlap between the traditional training categories. In some countries the division between the different training types is not as strict as in others. This means that some artificial divisions have had to be drawn by some of the authors, for example, between academic and vocational training. While this particular overlap may be, in part, the result of a general policy aim to level parity of esteem, it creates challenges in disaggregating data to identify expenditure on the vocational element. The notion of Lifelong Learning also has implications for creating more coherent training structures which include a wider range of learning activities. It is often difficult to identify and measure expenditure data on training which takes place outside of the formal structure.
- The complexity of financing training structures in terms of the number of different funding sources and mechanisms for financing VET. For example, levels of expenditure on indirect demand-side incentive mechanisms such as tax incentives are often difficult to identify. More fundamentally, this general complexity is enhanced in those countries where there is no national structure for training, e.g. where local governments have a high level of responsibility for financing training.
- The number of recent reforms to the financing VET system blur data comparability over time within individual Member States. In addition, the newness of many of these reforms mean that there is often a lack of stringent evaluation according to efficiency, effectiveness and equity criteria.

There was no ideal way to create common criteria for the structure of this series of reports. There is a certain trade-off between attaining a common structure and reflecting the nuances of the individual national training systems. Nevertheless, this first set of portraits does serve to highlight many of the complexities involved with the financing of vocational education and training across the European Union. We hope you find the portraits informative and welcome your comments.

We would like to thank Mr. Kari Pitkänen (Deputy Director General, National Board of Education), who prepared this portrait on the financing of vocational education and training in Finland.

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Preface by the author

This CEDEFOP financing portrait provides information on the level, types, sources and mechanisms of funding for different forms of vocational education and training (VET) in Finland. The description follows a structure laid down by CEDEFOP covering *initial vocational training, continuing vocational training and training for the unemployed.* First, a background section provides an overall picture of the developments in VET in Finland. Secondly, each category of VET is described in qualitative and quantitative terms. An outline of the general framework and system of VET is provided at the beginning of each section describing the three training types mentioned above. The focus within each section is on information concerning the level, types, sources and mechanisms for funding VET.

As was requested by CEDEFOP, this report is broadly structured as follows:

1. Recent historical, political and economic background.
2. Background information, sources, levels, and distribution mechanisms for funding as well as some summarising conclusions on:
   - initial vocational training (IVT)
   - continuing vocational training (CVT)
   - training for the unemployed.
3. Future trends and perspectives of VET funding in Finland based on an assessment of the recent developments and trends.

Before moving on to the main text it is necessary to outline, in general terms, what the three training types mean within the Finnish context. In addition, some information on the sources of data and the way in which funding estimates have been generated will be outlined.

Outline of the training types for this report

Initial vocational training

Initial Vocational Education and Training (Ammatillinen peruskoulutus) in Finland is divided into three parts: upper secondary (Toisen asteen ammatillinen koulutus) and tertiary (now AMK) levels for school-based VET and apprenticeship training (Oppisopimuskoulutus). Since the early 1990s, a special curriculum has also been introduced for the initial training of adults. IVT is provided within Upper Secondary Vocational Institutions (Ammatilliset oppilaitokset) and AMK institutions (Ammattikorkeakoulu). Most IVT is publicly funded from the Ministry of Education (MoE, Opetusministeriö) through municipalities.

Continuing vocational education and training

There are numerous different types of CVT for adults in Finland. The general term used for this type of training in Finland is "additional vocational training" (Ammatillinen lisäkoulutus). This kind of CVT is provided by Adult Vocational Training Centres (Ammatillinen Aikuiskoulutuskeskus) and Institutions for Specialised Training (Ammatillinen erikoisoppilaitos) as well as within the IVT training institutions mentioned above. "Additional vocational training" is mostly publicly funded from the Ministry of Education through Provincial State Offices (Lääninhallitukset) although training fees from individuals and employers also contribute to the costs.

The main form of CVT in Finland is "in-service training" (Henkilöstökoulutus) organised and funded by employers. There are high fluctuations in the volume of in-service training depending on national economic conditions. The volume indicators of in-service training within this report are approximated.

Training for the unemployed

The targets of training for the unemployed (Työvoimapoliittinen koulutus) are to balance the supply and demand of the labour force, to meet the demands of the labour force and to prevent unemployment. Training for these groups is provided by Adult Vocational Training Centres, the IVT institutions, universities and other providers of training.

While training for the unemployed is usually financed totally by the labour administration (Työhallinto) from the Ministry of Labour (Työministeriö), in some cases enterprises contribute. The trainees receive the normal unemployment benefits during training periods.

Approach to the Project

The authors are experts in education from the Ministry of Education and from the National Board of Education, (NBE, Opetushallitus).

Economic statistics for Finland have been based on the figures provided by Statistics Finland (Tilastokeskus). Funding figures for VET for 1986 and 1991 were collected from old records and files of the NBE. The collection and processing of this data was a complex process. While the NBE is the accounting agency for funding of the public education system in Finland (except universities) the basic data on funding and expenditure had to be taken from the accounting data system and refined to meet the classifications for this portrait.

Figures on training for the unemployed are based on statistics from the Ministry of Labour (MoL). Figures on the volumes and funding of in-service training are estimated on the basis of the number of trainees (Statistics Finland) and the figures given by the Confederation of Finnish Industry and Employers (Suomen Teollisuuden ja Työnantajain Keskusliitto). It should be noted that these figures are estimates due to the insufficient statistics on the internal training of companies. Data concerning the level and allocation of EU funding are from MoL annual reports. Most figures provided within this report are provided in terms of actual expenditure and are adjusted to 1996 levels.

The VET funding system in Finland is complex. This description of the system and the specification of the funding sources for the different types of VET have been undertaken in as detailed a way as possible, often through combining the different sources of relevant data.

The ECU exchange rate used in this report is 5.98 FIM to 1 ECU (the rate prevailing in 1998).

Mr. Kari Pitkänen, Deputy Director General of NBE was the main author for this report. He heads the division responsible, amongst other things, for accounting for the funding of public education in Finland. He has been assisted by Mrs. Marja-Leena Pernu, Senior Adviser of NBE, Mr. Matti Väisänen, Head of the Financial Planning Unit of MoE, Mr. Matti Kyrö, Head of the Basic Information Services Unit of NBE. The required data processing for this portrait has been undertaken by Mr. Jarkko Jännes, project manager in Tampere University. This report has been read and approved by the Finnish CEDEFOP Management Board members: Mr. Manu Altonen, Mr. Erkki Husu and Mr. Juha Mäntyvaara. The final revision and refinement of the report has been undertaken by Ms Sarah Elson-Rogers who is managing this project on behalf of CEDEFOP.

Part 1: Background information

1.1 Economic context

Four economic indicators are presented in the tables below: gross domestic product (GDP in market prices), employment and unemployment rates, and data on public debt.

Table 1: GDP in market prices

Year	GDP in mill. FIM	MECU equivalent	% increase relative to 1986
1986	446,606	74,683	
1991	479,011	80,102	7.2
1995	501,490	83,861	12.3
1996	519,322	86,843	16.3
1997	550,532	92,062	23.2

During the 1980s Finland experienced steady national economic growth. In 1991, however, growth in terms of GDP collapsed to 479,011 mill FIM (80,102 MECU) and fell to its lowest level (456,571 mill FIM – 76,350 MECU) in 1993. The national economy experienced serious difficulties due to many different factors. As a consequence, both the rate of unemployment and the level of public debt rose steeply and rapidly due to a collapse in the level of public income. Since 1993, GDP has been growing again, but the unemployment rate remains at a high level.

Table 2: Unemployment and employment rates

Year	Unemployment rate %		Employment rate expressed as a % of employed 15-74 year olds, as a % of the Finnish population as a whole
	Total	Youth (15-24 years)	
1986	5.4	9.7	
1991	6.6	16.3	69.2
1995	15.4	29.7	64.6
1996	14.6	28.0	64.7
1997	12.7	25.2	64.3

Unemployment has been, and continues to be, the most serious problem in Finnish society and the economy. While economic growth has averaged 4-5% over the past five years, its impact on the employment situation has not always followed the traditional patterns.

The number of unemployed people decreased from 408,000 in 1994 to 314,000 in 1997. At the same time, the number of employed people increased from 2,054,000 to 2,169,000 people, i.e. by almost 6%. The unemployment rate of young people was at its highest level (34%) in 1994.

Table 3: Public debt in absolute monetary terms and relative to GDP

Year	Current Prices (mill FIM)	MECU equivalent	% of GDP
1986	61,338	10,257	17.3
1991	113,135	18,919	23
1995	319,341	53,401	58.1
1996	331,772	55,480	57.8
1997	342,719	57,311	55.1

The consistent growth in public debt during the 1990s was due to the need to finance a deficit in the state budget. Central government debt amounted to 418,184 mill FIM (69,930 MECU) in 1997 which represented 76% of GDP. The growth of debt has been recently abated and should decrease in future years. Finland has fulfilled the EU criteria for Economic and Monetary Union (EMU) despite the level of public debt relative to GDP because of the solid financial position of other public actors.

1.2 Political context

During the period of steady economic growth in the 1970s and 1980s there was financial room for developing public services in Finland, and new systems of public social care, health services and education were created and funded. From the end of the 1970s a new vocational education and training system was developed. The general priorities of this new system were to increase the volume of vocational education and training for young people and to make the vocational training path more attractive to young people to counterbalance the increasing popularity of general education.

The number of participants grew constantly and many new vocational institutions were established by the state, federations of municipalities and municipalities (also to a lesser extent by private organisations). The funding of the new system emphasised the need to equalise differences between Finnish regions due to the sparse population and different local economies; hence the state established training institutions in developing municipal areas. In addition, the state funded municipalities for the provision of services (including training) in accordance with the principle of equalisation, whereby subsidies were adjusted to take account of the different economic positions of individual municipalities. The state also established new social benefits and a system of study aid for individual students participating in training.

A general policy existed in Finland since the 1970s to increase participation in upper secondary level initial vocational training. From 1976-92 a "temporary vocational education programme" (Väliaikainen ammatillisen koulutuksen ohjelma) was in place to increase the number of study places available. This temporary programme was financed totally by the state, and a substantial proportion of the new places were transferred into the permanent capacity of IVT institutions and funded as part of the normal financing system.

Few CVT opportunities existed for adults within the training structure and the volume of participation tended to be low. For training for the unemployed, a separate structure was created during the mid-1960s through the education administration.

From the 1970s until 1987, the Social Democratic Party of Finland and the Centre Party of Finland held the balance of power. The political situation changed in 1987, when the third of the biggest parties in Finland, the National Coalition Party, formed the cabinet headed by Prime Minister Harri Holkeri, together with the Social Democrats and some smaller parties. Political tradition also changed, as governments tended to remain throughout the whole legislative period rather than the shorter-terms, which had previously been the case.

A wide consensus prevailed regarding the main lines of education policy. Thus, during the latter years of the 1980s former policies were continued, including the growth of public funding for education and training. While there were a number of developments in the vocational qualification structure, the funding system broadly remained. As the state subsidy for financing training institutions providing IVT within individual municipalities was based on a calculation of training costs, the level of subsidy rose sharply with the large increase in the number of participants. For CVT, developments in education policy required an increase in participation and additional capacity was established within IVT institutions. While most CVT undertaken within these institutions was publicly funded (institutions owned and maintained by enterprises also received a direct public subsidy), the institutions were also encouraged to sell courses to enterprises and individuals. This was the first step in Finland to establish a more market-oriented structure.

The first signs in Finland that the economy was overheating and that an economic recession was emerging were seen in 1989. After the 1991 elections, the Centre Party formed the Cabinet headed by Prime Minister Esko Aho, together with the Coalition Party and some smaller parties. The new government had to face the sharp recession with a collapse in public income, fast growing unemployment (with the resulting increase in social and unemployment expenditure), a bank crisis and a devaluation of the Finnish currency.

At the beginning of 1992, a programme to balance the national economy was approved by the new government. Amongst other things, the programme aimed to make large savings in public expenditure including the educational element. Plans were initiated to develop and modernise the system of state funding for municipalities (the local actors in the field of education and other public services) and the division of responsibilities between the state and municipalities. Thus, when the state funding system of education and training (IVT and publicly funded CVT) was renewed in 1993, it was accompanied with savings in the funding level. The new formula-based financing of education introduced unit funding, i.e. per pupil and per student costs, whereby the basis for funding was the number of students.

These unit-prices were lowered by a certain percentage each year to automatically create savings in the level of state funding. As a consequence, the expenditure level per student fell substantially and the municipal share of funding increased.

Although there was a general aim to reduce public expenditure, participation levels in VET continued to rise. Closely after youth unemployment peaked in 1994, there was a sharp increase of over 100,000 students and trainees in upper secondary general and vocational education as well as in universities. While young people were encouraged to participate in initial vocational education and training, the growth in participation stimulated further the need to increase the efficiency of the VET system in order to limit the growth in education expenditure. As a result, measures to lower costs were made at a time when the student population was rapidly growing.

As will be seen in the figures provided in this portrait, the efficiency of the VET system increased in monetary terms during the first half of the 1990s. The unit prices declined to a level that almost compensated for the growth in the number of students.

As already mentioned, the funding changes and the decentralisation of many responsibilities to the municipal level included the responsibility to increase their share of funding (for institutions not owned by municipalities, more responsibilities were delegated to the institutional level). Further changes were also made to the provision of CVT and training for the unemployed whereby different types of institutions could compete for a share of the different markets.

A further dimension was added to the political context after a referendum on Finland's membership of the European Union was arranged in 1994. Membership was approved under the leadership of Prime Minister Esko Aho (chairman of the Centre Party of Finland), despite difficulties with certain European policies. Membership has brought a number of new elements to VET in Finland and, more generally, a positive political attitude has been sustained; thus Finland decided to join EMU in 1998.

After the elections in spring 1995, a new government was established on the basis of the Social Democrats and the Coalition Party and reinforced by the Left Alliance, Swedish People's Party and the Greens. The major aim of Prime Minister Paavo Lipponen's Cabinet has been to reduce the level of unemployment and to cut the growth of government debt. Regarding VET policy, the government has aimed to complete the new higher level of vocational training known as the AMK training system (Ammattikorkeakouluopetus) by providing AMK institutions (Ammattikorkeakoulu) with permanent licences. This process has been under both political and professional pressures due to the regional and local importance of this new level of vocational education. More detail about this and other changes during the 1990s are presented within the individual parts of this report.

Political attitudes towards VET have remained positive, although all ministers have had to make savings in education and training expenditure throughout the 1990s. A wide consensus prevails between the political parties regarding the main lines of educational policies and the importance of education and training for the future benefit of the national economy and society.

1.3 Legal background

The contents of legislation concerning VET funding are described in most of the sections of this portrait. This section of the report will outline the main strategies included in legislation and list the relevant laws. The legislative trends include the introduction of a range of new management tools, which are targeted at the following principles:

- to create framework legislation;
- to ensure decentralisation;
- to encourage innovation at the local and institutional levels;
- to increase competition between vocational institutions;
- to encourage the operation of the market mechanism for CVT and training of the unemployed;
- to delegate authority to individual training providers;
- to strengthen the level of free choice in education and training;
- to raise the level and quality of VET.

New legislation was passed in June 1998 which was applicable to all levels of education and which came into force in 1999. This legislation continues the deregulation process for education and training to, and enhances the decision-making powers of, municipal authorities and individual schools and institutions. It also aims to encourage innovation in education and training at the local and institutional levels. The technical reason for the legislation was to reduce the number of separate acts, sections and articles and to modernise the education/training legislation. The number of separate laws applicable to the structure of the education and training system has been reduced from 26 to 9.

The separate Acts now covered within the new legislation are as follows:

- Act on Comprehensive Education (Perusopetuslaki)
- Act on General Upper Secondary Education (Lukiolaki)
- Act on Initial Vocational Education (Laki ammatillisesta koulutuksesta)
- Act on Continuing Vocational Training (Laki ammatillisesta aikuiskoulutuksesta)
- Act on Liberal Education (Laki vapaasta sivistystyöstä)
- Act on Basic Education for Children in Arts (Laki taiteen perusopetuksesta)
- Act on the Administration of Education provided by the State and Private Organisations (Laki valtion ja yksityisen järjestämän koulutuksen hallinnosta)
- Act on University Education (Yliopistolaki)
- Act on studies in AMK institutions (Laki ammattikorkeakouluista)

In addition to the new framework legislation there is a special Law on Funding for Education and Culture (Laki opetus- ja kulttuuritoimen rahoituksesta) from 1998, which includes the articles determining the funding for IVT described in this portrait. A special law on Funding for Additional Vocational Training (Laki ammatillisen lisäkoulutuksen rahoituksesta) from 1996 includes articles on the financing of CVT which is described in this portrait.

The Employment Training Act (Laki työvoimapoliittisesta aikuiskoulutuksesta) was passed in 1990. There are also special laws concerning study aid for students as well as benefits for unemployed people, which are included in this description of the VET funding system. These are referred to in the relevant texts.

1.4 Administrative background

Figure 1: Overall structure of the VET administration

	IVT	CVT	Unemployed
Responsible Ministry	Ministry of Education	Ministry of Education	Ministry of Labour (Ministry of Education)
National Administration Bodies	National Board of Education	National Board of Education	None
Regional Administrative Bodies		Provincial State Offices	Employment and Economic Development Centres
Local Administrative Bodies	Municipalities Federations of Municipalities Governing Bodies of Institutions	Municipalities Federations of Municipalities Governing Bodies of Institutions	Local Labour Offices
Local Institutions	Vocational schools	Vocational schools Adult Vocational Training Centres	Adult Vocational Training Centres Vocational schools

1.4.1 Initial vocational training and publicly funded continuing vocational training

1.4.1.1 Central level

Until the end of the 1960s, a number of different central ministries were responsible for the administration of IVT and CVT. Overall responsibility was transferred to the Ministry of Education (Opetusministeriö) at the beginning of the 1970s following a need to harmonise and develop the Finnish education and training system. During this time, a special central authority, the National Board of Vocational Education (Ammattikasvatushallitus) was founded firstly under the Ministry of Trade and Industry and transferred to the Ministry of Education. A National Board of General Education (Kouluhallitus) had existed since 1869.

The two National Boards of Education (General and Vocational) had a strong position in the administration of education and training. In 1991 the two boards were merged to form the new National Board of Education and also the position of the Ministry of Education was strengthened. The new role of the National Board of Education was centred on the development and the evaluation of education and training as well as on the provision of certain services, rather than on responsibility for the administration of the system.

The Centre for Student Financial Aid (Opintotukikeskus) is a special agency within the Social Insurance Institution (Kansaneläkelaitos) which is responsible for distributing study aid for IVT and CVT students.

In 1990, the Training and Severance Fund (Koulutus- ja erorahasto) was created to support employed people attending training on their own initiative, as well as to pay grants for training to people who have recently become unemployed. This Fund is administered on a tripartite basis by the government and the social partners.

1.4.1.2 Regional level

The Provincial State Offices (Lääninhallitukset) are special regional units responsible for education and culture. They are supervised by the Ministry of Internal Affairs (Sisäasiainministeriö), although the education and culture Divisions are steered by the Ministry of Education. The number of these Offices was reduced from 11 to 5 (excluding the self-governing province of Åland, Ahvenanmaa) in 1997. The Provincial State Offices had a number of planning and administrative tasks during 1970s and 1980s, but their role has since been limited to certain specific tasks. Their main task is to purchase CVT from VET providers and to oversee the national student selection procedure at the regional level which is centrally managed by the National Board of Education. A number of their former tasks have been delegated to the local municipal and institutional levels. The Municipalities have gradually become the main authorities for the provision of education and training.

1.4.1.3 Local level

There are 445 municipalities (Kunta) in Finland. Each municipality has a local government which is responsible for the provision of a number of services within the framework of national legislation. These services include health, social care and education/training. While municipalities raise their own income through local taxation, they also receive subsidies from central government for the provision of these services. The calculation of the state subsidy varies according to a number of factors, including the economic position of an individual municipality and its ability to raise funds through local taxation.

With regard to education and training, municipalities are obliged to maintain comprehensive schools. The establishment and maintenance of VET institutions is voluntary. The high level of subsidy which has been available for the creation of VET institutions, however, has meant that municipal governments have been willing to enlarge their VET capacity. In general, municipal governments have also believed in the importance of vocational education and training for increasing the competitiveness of the municipality. Some municipalities have also joined together and formed a federation (Kuntayhtymä) to establish and maintain VET institutions.

At the local level, Local Apprenticeship Offices (Oppisopimustoimisto) are responsible for the administration of apprenticeship schemes in Finland. Most of these Offices are owned by municipalities or federations of municipalities. The Offices are responsible for contracting with employers and VET institutions for apprenticeship training. New legislation introduced in 1998 aims to create closer links between the organisation and administration of apprenticeship schemes and school-based training.

1.4.2 Training for the unemployed

The Ministry of Labour (Työministeriö) is responsible for the allocation of the budget for training the unemployed and for their unemployment benefit. The Ministry of Labour is responsible for the Regional Employment and Economic Development Centres (Työvoima ja elinkeinokeskus) and Local Employment Offices (Työvoimatoimisto). These regional and local organisations are responsible for the purchasing of training courses for the unemployed as well as other employment services.

The Social Insurance Institution administers benefits for unemployed people attending training. Unemployment Funds (Työttömyyskassa) maintained by trade unions provide salary-based benefits for the unemployed.

1.4.3 Role of the Social Partners

There is a short tradition of tripartite co-operation in VET in Finland. During the 1980s a National Council for Vocational Education (Ammattikoulutusneuvosto) was acting with the National Board of Vocational Education. This council had sub-committees to deal with vocational education in the different fields and types of training. During the 1990s the position of these committees has become increasingly important regarding the development and content of vocational examinations, curricula and qualifications. This tripartite body has no role in funding VET. Regarding VET funding, the only involvement of the social partners is within the tripartite administration of the Training and Severance Fund outlined above.

1.4.4 Training providers

At the *IVT level*, there are two types of training providers for school-based IVT and the school-based element of apprenticeship training:

- Upper Secondary Vocational Institutions (Ammatilliset oppilaitokset)
- AMK Institutions (Ammattikorkeakoulu)

These institutions have in the past been owned and maintained by a number of different bodies. Most IVT institutions have been established by municipal governments, although the state created IVT institutions in developing areas of Finland. In addition, some were created by a federation of municipalities or private associations. In 1994 a process was started to transfer the ownership of most state-owned IVT institutions to local municipalities as part of the process of decentralisation, although the state has maintained responsibility for IVT institutions providing training to students with special needs.

For school-based IVT, these institutions are mainly funded by the state through the subsidy system for municipalities. Those institutions not owned by municipalities are funded directly from the state (Ministry of Education). For apprenticeship IVT (and CVT), the school-based element is funded from the Local Apprenticeship Offices.

The AMK tertiary level of initial training is a recent initiative in Finland which was piloted in 1991 and formalised in 1996. The AMK institutions are large, multi-field training organisations. Upper Secondary Vocational Institutions have also been encouraged to merge to follow the AMK model and to form larger multi-field institutions. Between 1996 and 1999, the number of upper secondary vocational training institutions has reduced from 401 to 298.

The Upper Secondary Vocational Institutions and AMK institutions are also involved in the provision of *CVT*, although there are also two specific types of training institution:

- Adult Vocational Training Centres (Ammatilliset aikuiskoulutuskeskukset)
- Institutions for Specialised Training (Ammatilliset erikoisoppilaitokset).

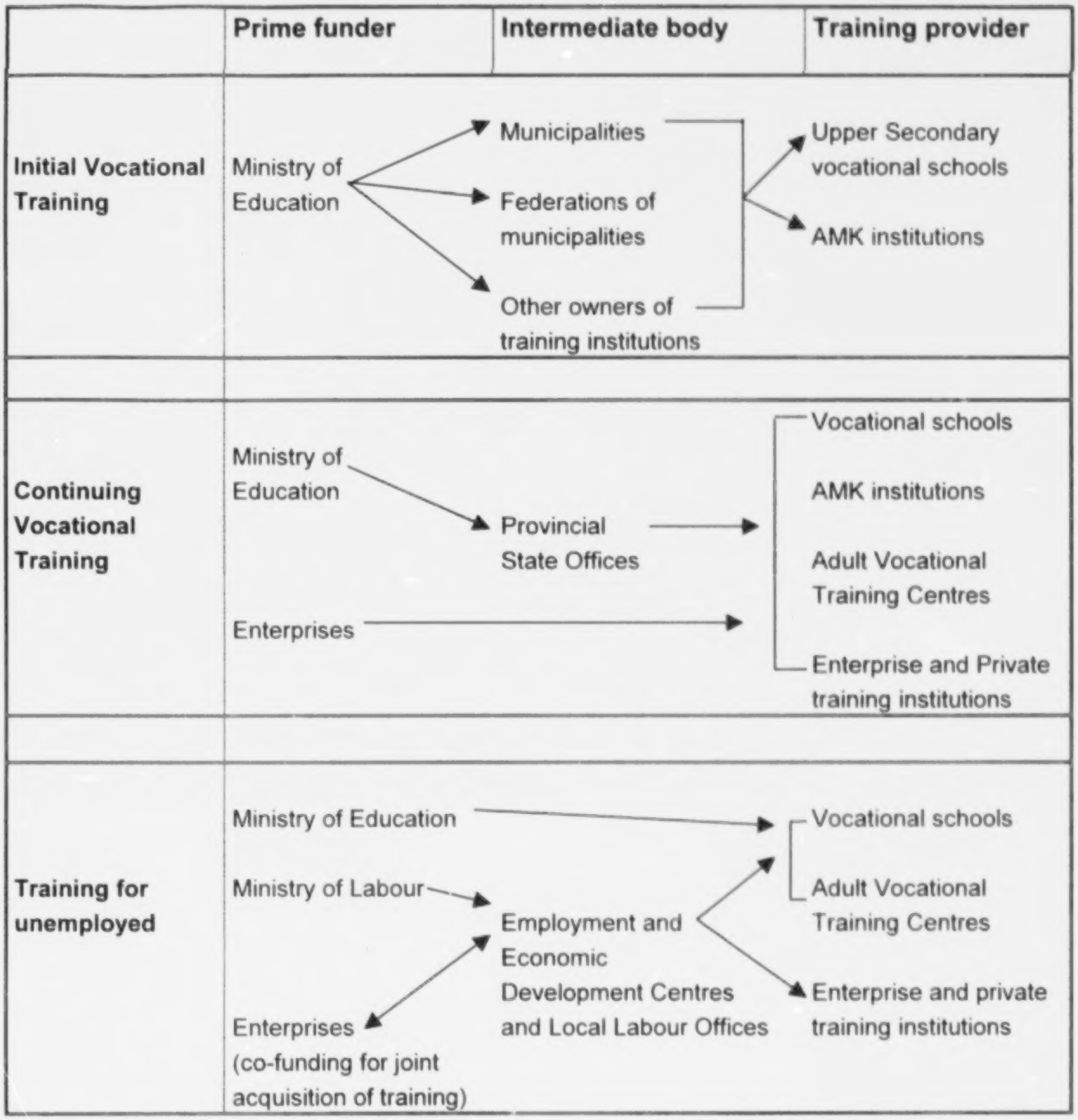
Adult Vocational Training Centres were originally established to provide training for the unemployed. Since 1991, they compete with IVT institutions for a share of the CVT and training for the unemployed markets. There were 54 such institutions in 1999. Most of them are owned by municipalities although some are organised on a corporate basis. They receive funding from the Ministry of Education through Provincial State Offices for CVT and from the Ministry of Labour through the regional and local labour administration for training for the unemployed.

The Institutions for Specialised Training are owned by enterprises. There are 45 such institutions in 1999. While they receive most of their funding from enterprises, some basic funding is provided from the Ministry of Education.

Training for the unemployed is provided within all of the institutions mentioned above, although Adult Vocational Training Centres, which were originally established for this purpose, have retained the main share of the market (57% in 1996). Institutions providing training for the unemployed are funded mainly from the Ministry of Labour through the regional and local administration.

While more detailed information on the institutional structure of IVT, CVT and training for the unemployed can be found within the specific background to each training type, the figure below gives an overview of the whole funding system.

Figure 2: Overall VET funding pattern


Prime funder
Intermediate body
Training provider
Initial Vocational Training
Ministry of Education
Municipalities
Federations of municipalities
Other owners of training institutions
Upper Secondary vocational schools
AMK institutions
Continuing Vocational Training
Ministry of Education
Provincial State Offices
Enterprises
Vocational schools
AMK institutions
Adult Vocational Training Centres
Enterprise and Private training institutions
Training for unemployed
Ministry of Education
Ministry of Labour
Enterprises (co-funding for joint acquisition of training)
Employment and Economic Development Centres and Local Labour Offices
Vocational schools
Adult Vocational Training Centres
Enterprise and private training institutions

Part 2: Initial vocational education and training

2.1 Background

As outlined in the Preface to this report, there are three types of initial vocational training in Finland. The upper secondary and AMK level (school-based) and apprenticeship training.

2.1.1 Upper secondary and AMK level initial vocational training

The publicly funded school-based IVT system is divided into two levels, vocational upper secondary level (Toisen asteen ammatillinen koulutus) and AMK-level (Ammattikorkeakouluopetus). There are two types of institution providing these levels: Upper Secondary Vocational Institutions (Ammatilliset oppilaitokset) and AMK Institutions (Ammattikorkeakoulu). Most of the training is wholly school-based, although apprentices also undertake the theoretical element of their training within this structure.

⇒ Upper secondary level vocational education is aimed at a wide range of practical occupations. It is provided mainly for 15-16 year olds from the comprehensive primary schools. The length of study varies from 2 to 3 years depending on the educational background of students and the field of VET. Decisions have been made to unify upper secondary VET into courses of 3 years whereby the studies include at least 6 months workplace training.

In 1996 there were a total of 77 qualifications in the upper secondary vocational level divided into 7 segments: natural resources, technology and traffic, administration and commerce, catering and home economics, health and social care, culture and the humanities and education. The upper secondary level of vocational qualifications consists of *basic studies, specialisation studies and free-choice studies*. Basic studies include the acquisition of the basic knowledge and skills required within a particular vocational field as well as general studies. Specialisation studies comprise studies that concentrate on a specific field of expertise or vocation. Both types of training combine practical instruction with training in the work place.

⇒ AMK education is targeted at training highly skilled professionals in technical, planning and managerial occupations. It is mainly provided for students (18-20 years old) who have left upper secondary general schools or the upper secondary vocational schools. This level of IVT is the alternative for students leaving upper secondary schooling who do not attend university. Courses last approximately 4 years. In 1996 there were also 77 qualifications at the AMK level.

While the upper secondary and AMK levels of initial training in Finland are targeted mainly at young people, adults are also eligible to participate.

2.1.2 Apprenticeship training (Oppisopimuskoulutus)

Although VET in Finland has traditionally been school-based, the legislative basis for apprenticeship training was established as early as 1923.

The Finnish model of apprenticeship training comprises practical workplace learning with enterprises and supplementary, more theoretical, training in IVT institutions. As the emphasis is on practical training, apprentices spend between 70-90% of their study time on-the-job in companies; the remaining time is spent on theoretical studies in upper secondary institutions. The financing of apprenticeship training includes contributions from the state, municipalities and enterprises.

The volume of apprenticeship training has been low in comparison with the number of students attending purely school-based training. Apprenticeship training is also targeted at adults, which is classified as CVT within this report. Initial training through apprenticeship takes between 1 and 4 years to complete

Attitudes to apprenticeship training have gradually become more positive due to a general agreement on the necessity to bring training closer to working life. Indirectly, the ideas on the development of VET within the framework of the EU have been influential and the extension of apprenticeship training has been one of the programmes in allocating EU Social Funds to Finland.

Since the beginning of the 1990s, the significance of apprenticeship training has increased. The number of students in initial apprenticeship training in 1993 was approximately 5,200; this figure has more than doubled to a level of 11,900 in 1996. In addition, there were 4,300 in apprenticeship training for CVT in 1996. The share of EU funded (Social Funds) apprentices was 970 in IVT and 1,250 in continuing training. While apprenticeship training is now being encouraged, the share of apprentices was only 5% of the total number of students in IVT in 1996. Apprenticeship training leads to the same level of qualifications as the training provided by upper secondary and AMK training institutions.

2.1.3 Institutional structure and participation

As outlined above, the training providers for school-based IVT have been separated recently into two institutional levels that correspond to upper secondary level training and AMK level training. The new AMK-level institutions were piloted in 1991 and the first permanent licences were issued in 1996. The AMK institutions (Ammattikorkeakoulu – corresponding to the German Fachhochschule) have been established within existing training institutions.

The total number of IVT providers in 1996 was 410, of which 9 institutions had a licence to provide AMK-level training (a further 28 of these institutions held a temporary licence). Since that time, the total number of IVT providers has reduced substantially (322 in 1999), and the number permanently licensed for the provision of AMK level training has increased to 24. The creation of the AMK level of IVT has changed the institutional structure of VET. The AMK institutions are large, multi-field training organisations. Following the same model, upper secondary level training providers have also been merged to provide training on a wider range of topics. As a result, the number of training institutions has decreased while the average size, in terms of student numbers, has risen.

Until 1991, more than one third of the IVT institutions were state owned and contained almost half of the IVT students. In 1994, a process was started to transfer the ownership and maintenance of the state-owned VET institutions to the municipalities and private organisations. There was a wide consensus supporting a policy of delegating VET responsibilities from the central education authorities to the regional and local levels. In 1997 there were only 9 state-owned institutions with the main purpose of providing IVT to students with special needs. Most IVT providers are now owned by individual municipalities or federations of municipalities. Some other providers are classified as privately owned, although municipalities also own most of these.

The IVT institutions provide initial training for both youth and adults as well as CVT for adults (more information is available within the CVT part). With regard to initial training for adults, a special quota for participation was stipulated in the early 1990s. The number of adults has increased substantially from 6,000 (1986) to 18,900 (1991) and 26,900 (1996). This represents an increase from 4 to 13% of the total amount of students participating in IVT between 1986 and 1996 (figures on the adult element of initial training are treated in this part of the report) and indicates substantial capacity for the initial training of adults in addition to the provision of CVT and training for the unemployed.

Table 4: Number of students in vocational and AMK institutions in 1996

	No. of institutions	**No. of students**
Upper secondary level vocational institutions [1]	401	192,100
AMK institutions	9	16,600
TOTAL	**410**	**208,700**

[1] Within the upper secondary level vocational institutions, 28 pilot AMK level institutions were operating. In 1999 there are 24 permanent AMK institutions and 298 upper secondary level vocational institutions.

Table 5: Number of apprentices in 1986, 1991 and 1996 [1]

	1986	1991	1996
Initial training	2,500	3,300	11,900
Continuing training	3,500	3,300	4,300
TOTAL	**6,000**	**6,600**	**16,200**

[1] The share of EU funded apprenticeship training, 970 trainees in IVT and 1,250 trainees in CVT in 1996, are not included.

Source: The balance between IVT and CVT in 1986 and 1991 are estimates, figures for 1996 are based on the statistics on apprenticeship training, National Board of Education

Taking together the number of students in school-based IVT and the number of trainees in apprenticeship training (11,900), the total number of trainees in IVT was 220,600 in 1996.

2.1.4. The funding framework for IVT

The state and municipalities fund most initial training in Finland through general national and local taxation. Money for central government VET funding is collected by taxation and by other national income. There is no earmarked revenue in the state budget for VET nor any national levy or special source for financing VET.

The central government funding of IVT follows the usual budgetary procedures in Finland. Since 1992, the government adopted a new system of planning for the state economy. The Ministry of Finance (Valtiovarainministeriö) makes an estimation of state expenditure and revenue for 4-5 coming years using, among other things, the proposals and calculations of the individual ministries. The target budget levels are negotiated within the Cabinet of Ministers.

On the basis of the targeted total level of expenditure, decided by the Cabinet of Ministers, the Ministry of Finance provides expenditure limits for all ministries. The budgeting framework for the Ministry of Education is itemised according to general education, vocational education, higher education, adult education (including CVT) and study aid (grants/loans to students). Since the activities of the Ministry of Education cover culture and other activities, these are also included as separate items.

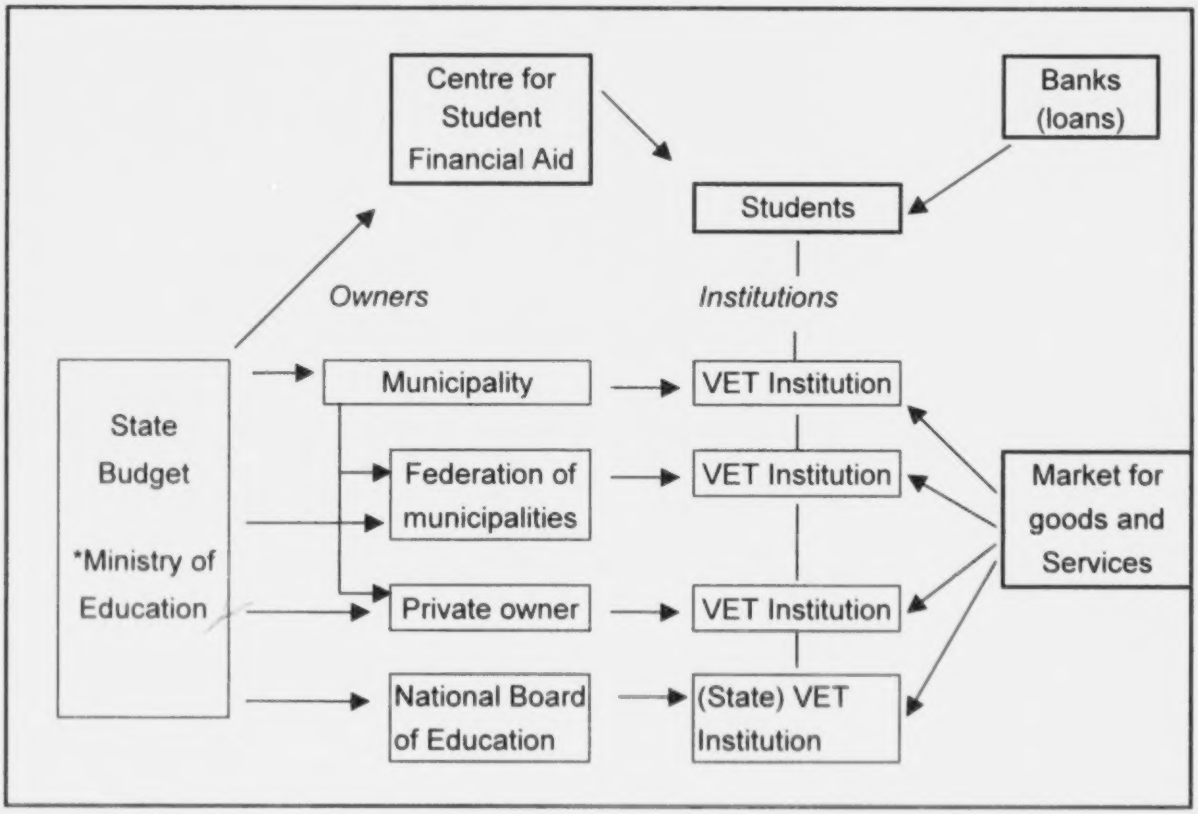
The Ministry of Education is not bound to the total framework for expenditure given by the Cabinet of Ministers nor to the individual items within the framework. The Ministry of Education drafts a proposal for the state education budget and consults with the relevant state agencies, representatives of the Trade Union for Education - representing mainly teachers and headmasters of the schools and institutions – (Opetusalan Ammattijärjestöry – OAJ) and the Association of Finnish Local and Regional Authorities (Suomen Kuntaliitto) in drafting the proposal.

The most important negotiations within this process are those between the Ministry of Education and the Ministry of Finance and within the Cabinet. This part of the process determines the level of funding for the Ministry of Education and the different budgetary items. The Cabinet gives its budgetary proposal to Parliament for the following year in September.

In essence, the VET budget comprises state funding for recurrent costs and capital costs of IVT providers, study aid for students and trainees and special programmes for developing VET. The budgeting for capital costs and special programmes is more or less discretionary. The number of students used to calculate the budget is an estimate. The estimation, however, is based on a quota system from the Ministry of Education which limits the number of students within vocational institutions. Thus, the estimates on trainee numbers are fairly accurate. The formula for determining the average unit-price for an IVT student is regulated within funding legislation. In drafting the education budget, the estimated figure is not final but is adjusted in the autumn before the financial year on a formula basis, although the estimations are fairly reliable. (More detailed information on the distribution of funding for IVT is under 2.5.)

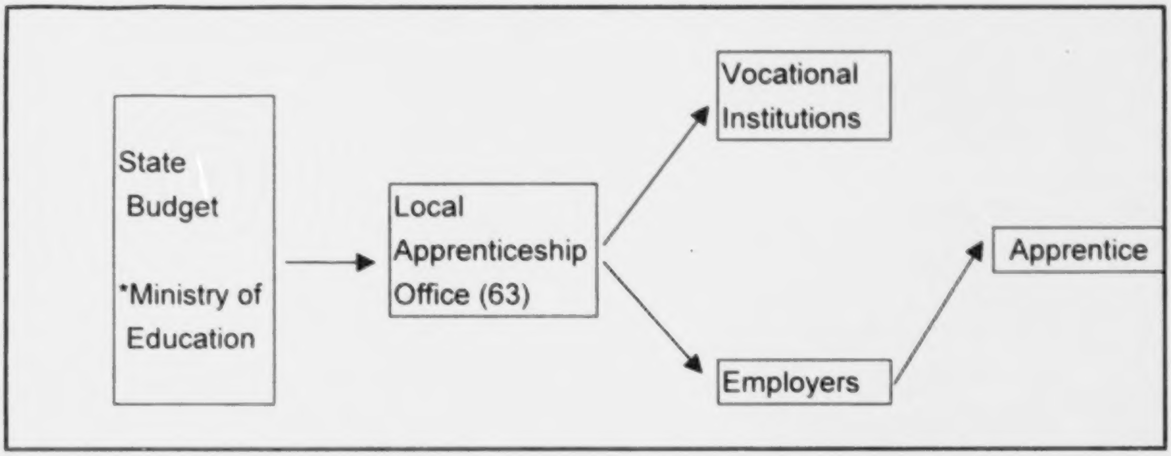
The budget for school-based IVT in upper secondary and AMK institutions is distributed to the owners of the individual VET institutions. In most cases, the subsidy is distributed to municipalities as part of their lump-sum subsidy for providing all services for which they are responsible. Those training institutions that are not owned by a municipality (i.e. by a federation of municipalities, the state or private associations) receive their subsidy individually. For apprenticeship training, the budget was distributed directly to Local Apprenticeship Offices (this has changed since 1999; the budget is now distributed to the owner of a Local Apprenticeship Office, as described below). The budgetary element for study aid for participants is received by the Centre for Student Financial Aid from the Ministry of Education.

Figure 3: Flow of funding through the school-based IVT institutional structure


Centre for Student Financial Aid
Banks (loans)
Students
Owners
Institutions
State Budget
*Ministry of Education
Municipality
Federation of municipalities
Private owner
National Board of Education
VET Institution
VET Institution
VET Institution
(State) VET Institution
Market for goods and Services

As shown by this diagram, the major financier of school-based IVT is the state, which funds municipalities through the subsidy system. This funding is supplemented by municipal funding raised through local taxation. The state also funds individual trainees through the provision of a number of grants known as study aid schemes. IVT participants can also raise funds through a study loans scheme administered by private banks. A source of funding that is increasing in importance is the ability of IVT training providers to raise their own funding through the market for goods and services. The exact flow of funding for publicly financed school-based IVT is described in more detail in the description of the funding distribution mechanisms for IVT below.

Figure 4: Flow of funding through IVT apprenticeship training



Most funds for apprenticeship training also originate from the state. The flow of funding and the description of the funding system for apprenticeship training in this report are applicable until 1999. Before 1999, funding from the Ministry of Education was distributed to Local Apprenticeship Offices, which are maintained by municipalities or a federation of municipalities according to the same lines as the ownership of IVT institutions. From 1999, funding for apprenticeship training will no longer be distributed directly to the Local Apprenticeship Office, but to the owner of the Office (i.e. directly to municipalities or a federation of municipalities). Thus the change is one of principle in terms of allowing municipalities more discretion over their funding responsibilities. In practical terms, there are few implications of this change at the current time.

2.2 Funding Sources

2.2.1 An overview

Once the budget has been set by central government and approved by Parliament, it is distributed to the owners of IVT providers (it must be noted that this funding system was changed in 1993 and 1997, the figures provided below are based on the distribution of funding in 1986, 1991 and 1996, although the new system is described in detail under 2.5). The state also distributes funds to individual students who are entitled to various forms of study aid. As the Provincial State Offices at the regional level do not have any taxation powers, they only have a minor role in distributing finance to small investment projects with finance allocated by the Ministry of Education (classified here as central government funding).

The EU has also been a source of funds for initial training at a national, local and institutional level, since Finland became a member in 1995.

Social partners and enterprises do not directly fund initial training. Enterprises have a supporting role in some cases, but there are no statistics available on this. The salaries paid to the trainees in initial apprenticeship training are included as indirect funding. Initial VET is practically free of charge for students. Thus, funding from individuals plays no role in financing IVT.

Individual training institutions can also raise their own funding through the sale of goods and services which is classified as private funding in the table below.

Table 6: Sources of direct funding for IVT in 1986, 1991 and 1996 (MECU in 1996 prices) 1)

	1986		1991		1996	
	MECU	**%**	**MECU**	**%**	**MECU**	**%**
EU	-	-	-	-	16	1
National	850	67	1,121	65	1,083	58
Municipal	312	25	478	28	541	29
Private 2)	106	8	122	7	235	13
TOTAL	**1,268**	**100%**	**1,721**	**100%**	**1,875**	**100%**

1) Total funding levels are figured in gross terms. For example, national expenditure includes recurrent and capital costs for IVT institutions, funding for study aid, apprenticeship training and the national contribution to EU funding.

2) Practically all of the private funding represents the income of vocational institutions earned by selling products and services. These figures also include student fees but exclude the enterprise contribution in terms of wages to apprentices.

Table 7: Breakdown of direct IVT funding

	1986		1991		1996		Change 96/86
MECU in 1996 prices	**MECU**	**%**	**MECU**	**%**	**MECU**	**%**	
Training, recurrent costs (state and municipal funding)	849	67	1,281	75	1,247 1)	67	0
- Own income of institutions 2)	101	8	121	7	234	13	+5
- Student fees 3)	5	-	1	-	1		
Training, capital costs	154	12	143	8	81	4	-8
Study aid	149	12	157	9	255	14	+2
Apprenticeship training 4)	10	1	18	1	57	3	+2
TOTAL	**1,268**	**100**	**1,721**	**100**	**1,875**	**100**	

1) This includes EU funding and the national contribution to EU programmes.
2) This is treated as recurrent funding throughout the following tables.
3) This is treated as recurrent funding throughout the following tables.
4) This includes EU funding for apprenticeship training.

Table 8: Breakdown of IVT recurrent and capital costs per student

Participation 1)	**1986**	**1991**	**% change (1986-91)**	**1996**	**% change (1991-96)**
	149,000	176,900	+19	208,700	+18
1996 value FIM/student	38,300	47,400	+23	42,500	-10
1996 value ECU/student	6,400	7,900		7100	

1) This figure includes adults participating in IVT but not IVT apprentices as these are funded by a separate structure. In calculating these figures therefore, expenditure on apprenticeship training has not been included neither have student fees or study aid.

Sources: Reports/files on costs, income and state subsidies of vocational institutions, 1986, 91 and 96, National Board of Education.The index used in the transformation of costs is the official price index for public expenditure/education and culture.

2.2.2 EU funding

The share of EU funding in VET is difficult to itemise precisely. Project financing normally includes training, amongst other elements. The approach here is to describe and estimate funding for EU programmes that are executed by training/education institutions or by the education authorities.

EU funding has a relatively minor role in terms of total IVT funding levels. However, EU funding has created new opportunities for regions, municipalities, enterprises, training institutions and other organisations to finance development projects. In 1996 the EU Social Funds funded 106 projects that were run by vocational and other educational institutions (not including universities). The EU Regional Development Funds also supported training projects in 1996.

A major programme in 1996 was the development and enlargement of apprenticeship training. This EU Structural Funds objective 3 programme is divided into IVT and CVT for the unemployed; the latter will be included in the description in 4.2.2 (training of unemployed). Taking together the European Social and Structural Funds and the Leonardo da Vinci programme, the funding from the EU is approximated in the following table.

Table 9: EU funding of IVT in 1996 including national and private contributions

	EU		**National**		**Private** [1]		**TOTAL**	
In 1996 prices:	**Mill FIM**	**MECU**	**Mill FIM**	**MECU**	**Mill FIM**	**MECU**	**Mill FIM**	**MECU**
Initial apprenticeship training	18	3	30	5	84	14	132	22
Other EU programmes	78	13	78	13			156	26
TOTAL	**96**	**16**	**108**	**18**	**84**	**14**	**288**	**48**

[1] Private funding represents the wage costs for employers for the EU apprentice programmes.

Sources: Annual report on EU Social Fund objective 3 programme, Finland, 3.7.1997 Ministry of Labour, Report on the activities of educational institutions in EU programmes, 12.3.1998 National Board of Education

At the end of 1997, the EU Commission made a decision to fund a project to further co-operation between school-based training and working life. The main target is to develop apprenticeship-type training models where the final (third) year of training is spent within an enterprise. This project is closely connected to the renewal of upper secondary level IVT by including an element of work-based training outlined in 2.1.1.

The decision-making procedures for EU funding follow the general rules given by the European Commission. EU Social and Structural funds are administered mainly by the Ministries (Labour, Internal Affairs, Education, Trade and Industry, Social and Health Affairs). Different programmes are steered and followed up by committees comprised by representatives of the Commission and the relevant Ministries. Programmes administered at the regional level are correspondingly steered by committees with representatives of regional actors. Decision-making in the committees is based on the consensus principle.

In the framework of targeting and allocating money for the whole programme period, the Commission decides on, approves and follows up the programmes. The national share of funding EU programmes and projects is financed by the relevant Ministry or by the organisation managing the project.

2.2.3 Central government funding

Table 10: Central government funding of IVT costs in 1986, 1991 and 1996

	1986			1991			1996	
In mill FIM:	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
Total recurrent funding	*3,625*	*5,713*	*955*	*7,414*	*8,392*	*1,403*	*8,864*	*1,482*
State funding (recurrent)	**2,319**	**3,654**	**611**	**4,540**	**5,139**	**859**	**4,237**	**709**
% state funding of total recurrent costs:	64%			61%			48%	
Total capital funding	*739*	*975*	*163*	*826*	*850*	*142*	*485*	*81*
State funding (capital)								
- State-owned institutions	138	182	30	319	328	55	195	33
- for municipal/private institutions	228	301	50	190	196	33	120	20
Total state funding (capital):	**366**	**483**	**80**	**509**	**524**	**88**	**315**	**53**
% state funding of total capital costs	50%			62%			65%	
State funding of study aid for IVT students								
- Study Grant	356	561	94	428	484	81	1,088	182
- Housing allowance	107	169	28	138	156	26	292	49
- Interest subsidy	103	162	27	265	300	50	147	25
Total state expenditure on study aid	**566**	**892**	**149**	**831**	**940**	**157**	**1,527**	**256**
State funding – apprenticeship	37	58	10	89	101	17	285 [1]	48
Total state funding	**3,288**	**5,087**	**850**	**5,969**	**6,704**	**1,121**	**6,364**	**1,066**

[1] National funding of EU programmes is dealt with in 2.2.2 and included in table 9.

The index used in the transformation of costs to 1996 levels is the official price index for public expenditure on education and culture.

Sources: (recurrent cost element): Reports/files on the costs, income and state subsidies for vocational institutions, 1986, 1991 and 1996: National Board of Education.

Sources: (capital cost element): State budget and report on the balancing of state accounts, 1986, 1991, and 1996 and statistics on the average state share of capital costs from the files of the National Board of Education.

Sources: (study aid): State budget and report on balancing state accounts 1986, 1991 and 1996.

Sources: (apprenticeship): Figures in 1996 based on accounting statistics, for 1986 and 1991, they are based on an estimate of the number of trainees.

2.2.3.1 State funding of recurrent costs for school-based VET

In the beginning of the 1980s, the state share of the financing for the recurrent costs of IVT amounted to almost 80%, due to the substantial portion of the vocational institutions that were owned and financed by the state and the high rates of subsidies granted to municipal and private institutions. Changes were made in the 1980s to alter the balance of funding between municipalities and the state without affecting the overall level of education funding.

The substantial fall in the state share in the 1990s is mainly due to the changes in the system of state funding to municipalities (described in 2.5). A harmonisation of state subsidies was made regarding funding of education, culture, health and social services as well as some other minor tasks that were under municipal responsibility. In practice, this meant that money was transferred from the subsidy budgets of the Ministry of Education and the Ministry of Social Affairs and Health to the Ministry of Internal Affairs, which has general responsibility for the municipal sector.

Thus, the changes in the shares in funding VET do not indicate changes in political attitudes but mainly technical changes in funding systems. Although, during the 1990s some of the changes in the balance of financing VET by the state and the municipalities is due to a shift from the state to the municipalities caused by savings in the state budget.

2.2.3.2 Capital costs for school-based IVT

Capital costs in table 10 include costs of construction and for the acquisition of buildings and premises for vocational institutions. Due to changes in statistics, investment in teaching equipment and other equipment is mainly included in recurrent costs.

The state funding of capital investment in VET is divided into investment in state-owned vocational institutions and in state subsidies for the capital costs for the municipal and private institutions. Capital investments in state-owned institutions are totally financed by the state budget. State subsidies for municipal and private investment in VET institutions have varied from 33 to 67% in 1986 and 1991 and from 25 to 70% in 1996. The level of state funding for a municipally owned VET institution depends on the financial solvency of the municipality.

The figures on the level of state subsidies for capital costs do not indicate the actual monetary flow from the state to the different owners of the VET institutions because there is a dual state financing system for capital investment. For economically weaker municipalities, the state subsidy is provided during the implementation of the capital project. For municipalities in an economically stronger position, the state subsidy is provided seven years after completion of the capital project, with an additional amount to represent the value of interest that the money would have accrued.

The share of state funding has been high and has risen over the past ten years. The decrease in the absolute volume of capital costs and the fall in state funding are due to the heavy capital investment in VET, which started in the 1970s and continued until the late 1980s. During this time, the investment was necessary to increase the capacity of VET institutions. Relative to this period, the decline in investment has been dramatic. In 1986 the share of capital investment was 17% of the total expenditure on recurrent costs within vocational institutions, in 1991 the share was 10% and in 1996 only 5%.

2.2.3.3 Study aid for trainees in school-based IVT

IVT is free of charge for students, who are able to receive financial assistance from the state for living costs. The terms and level of assistance depend primarily on the type of studies and on the category of VET. There are differences in which costs of living are borne by the institution and which costs the student bears. The terms of assistance also vary according to the age and economic position of the student. The number of students in IVT receiving study aid was 130,000 in 1986, 154,000 in 1991 and 163,000 in 1996.

The costs of providing these benefits are included in the cost figures for IVT where they are provided by the institution. Table 10 includes specific figures on the level of state study aid. There are three forms of study aid: study grant, state guarantee for study loans and student housing allowance. The study grant is supplemented by a travel grant for students living more than a certain distance from the institution. The study grant and housing allowance are government-funded benefits. A special agency within the organisation of The Social Insurance Institution (Kansaneläkelaitos) called the Centre for Student Financial Aid (Opintotukikeskus) administers the system. Study aid is paid monthly to students. The banks grant the study loans which are guaranteed by the state.

In addition to study grants, student housing allowances and the state guarantee for study loans (as noted above), until 1994 a subsidy was available for the interest on study loans. The subsidy remained an expenditure in 1996 for loans taken before 1994 and the level of study grants was increased after its abolition therefore the total expenditure for students initially increased substantially. The rise in the number of students during the 1990s has also increased expenditure on study aid.

2.2.3.4 Central government funding of apprenticeship training

The costs for Local Apprenticeship Offices (Oppisopimustoimisto) were separately financed by state subsidies until 1999. See table 10 for the level of state funding between 1986-96 and 2.5.6 for a description of the funding mechanism.

2.2.4 Regional government funding

The Provincial State Offices are not a funding source for IVT, although they have a role in distributing some capital costs for IVT from the Ministry of Education (see 2.5.4). These figures are included in table 10 within the element of state funding.

2.2.5 Local government (municipal) funding

The average size of the 445 municipalities is approximately 11,000 inhabitants. The sources of income for municipalities are municipal taxation, state subsidies and other general sources of revenue. The average level of income taxation in municipalities had risen to an average of 17% in 1996.

Table 11: Municipal funding of IVT costs in 1986, 1991 and 1996

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
Total recurrent costs	*3,625*	*5,713*	*955*	*7,414*	*8,392*	*1,403*	*8,864*	*1,482*
Municipal recurrent funding in municipal/ private VET institutions:	693	1,092	183	1,284	1,453	243	2,866	479
Municipal recurrent funding in state institutions	210	330	55	948	1,073	179	193	33
TOTAL	**903**	**1,422**	**238**	**2,232**	**2,526**	**422**	**3,059**	**512**
% of recurrent costs [1]	*25*			*30*			*35*	
Total capital costs	*739*	*975*	*163*	*826*	*850*	*142*	*485*	*81*
Volume of capital costs within municipal IVT institutions	601	793	133	507	522	87	290	48
Municipal funding of capital costs	**336**	**445**	**74**	**317**	**326**	**55**	**170**	**28**
% of total capital expenditure [2]	47%			38%			35%	
Municipal funding (apprenticeship)	1	2	0	3	3	1	8	1
Total Municipal funding	1,240	1,539	312	2,552	2,855	478	3,237	541

[1] From table 8 and 13, central government and municipal funding accounts for 89% of total recurrent expenditure in 1986, 91% in 1991 and 83% in 1996.

[2] Taken with the percentage of state expenditure on capital costs, the state and municipalities accounted for 97% of funding for capital costs in 1986, 100% in 1991 and 100% in 1996.

2.2.5.1 Recurrent costs for school-based IVT

In 1986, 1991 and 1996, municipalities were obliged to pay for their students attending vocational institutions owned by other municipalities or the state, etc. The state subsidy system was changed in the beginning of 1997, which ended this practice (described below at 2.5.2.1). Municipalities and the state account for most IVT funding.

As a reverse to the reduction in central government funding, the share of municipalities funding for IVT has increased considerably. This has been due partly to savings made to state expenditure and partly to changes in state subsidy systems.

2.2.5.2 Capital costs for school-based IVT

Municipalities and the state also fund most capital expenditure. This includes financing the capital costs of private VET institutions, as municipalities are also the owners of many of these institutions. The decline in the percentage share in municipal funding of IVT capital costs is due to the peaks in investment by the state in state-owned institutions in 1991 and 1996.

2.2.5.3 Municipal funding of apprenticeship training

The funding share of the municipalities is 3% for financing apprenticeship training which represents some extra funding for administrative expenditure.

2.2.6 Individual funding for IVT

Initial VET is supplied free of charge for students and trainees with a minor exception of private institutions, which can charge study fees with the permission of the Ministry of Education. The justification for student charges within private institutions is to cover funding for capital costs. The total amount of student fees, however, has been very low.

Table 12: Student fees in IVT

	1986			**1991**			**1996**	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
	20	32	5	4	5	1	6	1

The personal learning material for students is not provided by the training institutions. Upper secondary and AMK level students and trainees acquire and finance their own materials. There is no statistical information on this, but the acquisition of this material creates substantial costs for students.

2.2.7 Own earnings of VET institutions

Since the 1990s, VET institutions have been urged and motivated to raise money by selling products and services within other markets. The earnings were formerly deducted from their recurrent costs in determining the state subsidy for an individual institution. This acted as a disincentive for the institutions to develop their earnings potential. Nowadays producing goods and services is a fixed part of VET institutional activities and is also part of the educational process. Whereas in apprenticeship training, the trainees participate in enterprise production, in VET institutions products and services are made and sold as a part of the training process.

Table 13: Funding by selling products and services of VET institutions combined with other own income

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
	384	605	101	638	722	121	1,400	234
% of total recurrent funding [1]	11%			9%			16%	

[1] Adding these figures to the state and municipal contribution to recurrent costs, the funding raised by individual institutions represents the balance of total recurrent funding.

This income is mainly gained through selling products and services, although the figures include some other items of income.

2.3 Sources of indirect funding

The only items of indirect costs or source of finance itemised in this report are the salaries paid to the trainees in apprenticeship training and in in-service training at the level of initial training.

Table 14: Employers share of the wages paid to the apprentices in IVT

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
	125	197	33	204	231	39	1,079	180

A survey was recently undertaken to obtain information on the costs borne by employers for IVT trainees undertaking enterprise training in 1997 (this excludes formal apprenticeship training, which is dealt with in table 14, above). The average wage per trainee in upper secondary VET was 3,900 FIM (650 ECU) per month. Other trainee-related costs, on the basis of considering one trainee, amounted to 1,300 FIM (220 ECU) per month. Statistics are not available for other VET students or from previous years.

2.4 Total levels of funding for initial VET

Table 15: Breakdown of funding for IVT (in 1996 prices and MECU)

	1986		1991		1996	
In mill FIM/MECU	**1996**	**MECU**	**1996**	**MECU**	**1996**	**MECU**
Direct funding						
EU funding						
- EU programmes					78	13
- EU apprenticeship					18	3
State funding						
- State contribution to EU Programmes					78	13
- Apprenticeship					30	5
- State, recurrent costs	3,654	611	5,139	859	4,237	709
- State, capital costs	483	80	524	88	315	53
- State, study aid	892	149	940	157	1,527	256
- State, apprenticeship	58	10	101	17	285	48
Total state funding	*5,087*	*850*	*6,704*	*1,121*	*6,472*	*1,084*
Municipal funding						
- Municipal, recurrent costs	1,422	238	2,526	422	3,059	512
- Municipal, capital costs	445	74	326	55	170	28
- Municipal, apprenticeships	2	0	3	1	8	1
Total municipal funding	*1,869*	*312*	*2,855*	*478*	*3,237*	*541*
Student fees	32	5	5	1	6	1
Earnings of VET institutions	605	101	722	121	1,400	234
Total direct funding	**7,593**	**1,268**	**10,286**	**1,721**	**11,211**	**1,875**
Indirect funding						
Enterprise wages for apprentices (incl. private EU funding)	197	33	231	39	1,163	194
Total funding	**7,790**	**1,301**	**10,517**	**1,760**	**12,374**	**2,069**
As % of GDP	1.57		1.99		2.13	

Table 16: Shares of different sources in funding IVT (MECU in 1996 prices)

	1986		1991		1996	
	MECU	%	MECU	%	MECU	%
Direct funding	**1,268**	**97.5**	**1,721**	**97.8**	**1,875**	**90.6**
– Public funding: recurrent costs (state/municipalities) [1]	859	66.0	1,300	73.8	1,303	62.8
– Public funding: capital costs (state/municipalities)	154	11.8	143	8.1	81	3.9
– State funding of study aid	149	11.4	157	8.9	256	12.5
– Other sources [2]	106	8.2	122	6.9	235	11.4
Indirect funding	**33**	**2.5**	**39**	**2.2**	**194**	**9.4**
TOTAL	**1.301**	**100**	**1,761**	**100**	**2,069**	**100**

[1] Includes school-based training and apprenticeship and for 1996 the EU and national contribution to EU programmes.

[2] Includes own income of institutions and student fees.

The total level of direct funding for IVT has increased by 48% during 1986-1996 (based on the adjusted expenditure for 1986 and 1991 to 1996 levels). The number of IVT trainees has increased by 40% during the same period of time (45% when IVT apprentices are included). From 1991 to 1996 the level of direct funding has increased by 9% while there has been an 18% increase in the number of trainees. The funding per trainee between 1991-96 has decreased by 10%.

The share of study aid (grants provided by the state to individual students) has increased sharply in terms of expenditure. The total increase (1991-1996) in study aid amounts to 99 MECUs, i.e. an increase of 62%. Expenditure on apprenticeship training has increased fivefold from 1986 due to the extension of the programme. The incentive for institutions to raise their own income with the changes in the funding system has increased substantially.

2.5 Funding distribution mechanisms

2.5.1 General

Following the description of sources of funding, the picture of the distribution mechanisms is concentrated on the state and the municipalities, and the money flows between them and vocational institutions. As the state funding system was renewed in 1997 (for funding school-based IVT) and 1999 (for apprenticeship training), the mechanism described below follows that of the new system, although the previous system is also outlined.

2.5.2 Calculation of the state subsidy for recurrent costs of IVT institutions

Subsidies for recurrent costs are determined according to two factors; the number of students and per student costs (unit prices), which are the basis for calculating the state financing for the IVT element of municipal budgets (including apprenticeship training since 1999) and for other institutions which are not owned by municipalities.

The basis of the calculating the state subsidy is cost per student in different fields of VET. The unit prices in 1996 for different fields of training are listed below.

Table 17: Unit-prices which form the basis for the state subsidy for IVT in 1996

Field of IVT	FIM/student	ECU/student
General vocational	35,100	5,900
Hotel and catering	34,800	5,800
Commercial	21,700	3,600
Home and institutional economics	28,400	4,700
Arts and crafts	38,900	6,500
Agricultural and horticultural	41,200	6,900
Nautical	57,900	9,700
Forestry and wood processing	62,700	10,500
Social work	27,900	4,700
Technical	29,500	4,900
Health care	28,800	4,800
Arts and communication	53,600	9,000
Special needs (disabled)	87,600	14,600
AVERAGE	**35,600**	**6,000**

Source: Decision of the Ministry of Education, 1996

These figures are much lower than the student unit cost figures in table 8. This is because those figures include the average level of VET institutions' own earnings from that amount. In addition, the unit prices for recurrent costs are increased by 4.3% (260 ECU per trainee) in calculating funding for VET institutions as a formula-based addition for capital costs.

The average figures above are also adjusted by some additional factors, for instance for institutions having:

- less than 200 students
- provision for special education
- rented premises
- evening courses.

In practice, the formulas are much more complicated and cannot be written in detail here.

The Ministry of Education decides annually the level of unit-prices and the different elements linked to them. The basis for the unit-prices is the level of real average cost per student in different fields of initial VET, thus the unit prices are expected to correspond to the real average level of costs for all types of training institution. The real average of unit costs is calculated every second year, although an index adjustment is made every year. The Ministry of Education consults the Association of Finnish Local and Regional Authorities before making decisions about the unit-prices. Before the decision is made by the Ministry of Education, it must be approved by the Ministry of Finance.

In 1996 the state financing of recurrent costs for IVT was 4,237 mill FIM (709 MECU) which was 48% of the total expenditure on recurrent costs (see table 10).

2.5.2.1 Distribution of state funding for recurrent costs of municipally-owned IVT institutions

A new system for the state funding of welfare services administered by municipalities was launched in 1993 and reformed again in 1997. The reform in 1997 was connected with a need to make savings in the state budget. From the municipal perspective, the level of state subsidy for all municipal services was reduced by 2,500 mill FIM (420 MECU) in 1997, with an additional reduction of 1,300 mill FIM (220 MECU) in 1998.

The new state funding system for municipalities launched in 1993 had three elements: (1) state funding for education and culture, (2) state funding for social and health services, and (3) general subsidies for municipalities. This framework, which is still in operation, includes a mechanism, within the general subsidies, to equalise state subsidies on the basis of the level of tax revenue of the 445 individual municipalities. The three elements are paid to the municipalities separately by each ministry, the first element from the Ministry of Education, the second element by the Ministry of Social Affairs and Health and the third element by the Ministry of Internal Affairs. The sum of the three subsidies is not earmarked for specific purposes.

The basis of the calculation for the education and training element of this lump-sum subsidy system remained after the 1997 reform. The formula-based state subsidy system for education covers primary education, general upper secondary education, initial VET – both upper secondary and AMK levels – and music and sports institutions. For each municipality maintaining some or all of these institutions, the basis of the state subsidy is calculated according to the number of students in each form of education/training institution and the corresponding unit prices (see table 17 for the unit prices for IVT). In addition, some other factors reflecting the different types of school and training institution within individual municipalities are taken into account in calculating the subsidy, as outlined within 2.5.2 above.

The further change to the 1993 reform in 1997 was the way in which municipalities contribute to national education expenditure. An equal amount per inhabitant is now deducted from the gross subsidy for each municipality (1,900 FIM - 320 ECU - in 1998).

This per inhabitant deduction ended the need for municipalities to fund their student residents who attended education/training institutions owned by another municipality, the state, etc. As a result, the administrative workload has been reduced.

For a municipality maintaining schools and institutions of different levels of education, the state subsidy is paid as a lump sum covering education, but also covers municipal public libraries and some elements of municipal cultural activities. The lump sum funding of municipalities means, that individual municipalities make allocation decisions between the different services. The state subsidies are one income item among others in the municipal budget. The state does not earmark money for individual services, and the level of unit-prices for different schools, institutions and fields of initial VET does not bind municipalities in terms of the allocation of funds in their budgeting and decision making.

The target of the state subsidy system for municipalities is twofold. First, state subsidies are aimed at guaranteeing an approximately equal level of public services in all municipalities. Secondly, the subsidy system is aimed at equalising the economic solvency and position of municipalities having different foundations for their own, mainly tax, revenue. The equalisation process for the state subsidy system for municipalities works in such a way that an additional subsidy is paid to those municipalities with a tax revenue lower than 90% of the average. For those municipalities whose tax revenue per inhabitant exceeds the average limit, the state subsidies are reduced by 40% of the sum exceeding that average.

The funding of recurrent costs for initial vocational training in Finland is based, therefore, on a complex and state-regulated system. For municipalities, it is one element of the general funding system for education, culture, health and social services. As municipalities own most training institutions, the funding of individual institutions is at their discretion within their budgetary limits. Nevertheless, the municipalities usually use the per student costs as the basis of their planning and budgetary process for the funding of their IVT institutions.

- *Municipal funding of IVT*

The funding of municipalities for IVT recurrent costs was 3,059 mill FIM (512 MECU) in 1996. The negotiation and decision-making process concerning the municipal funding of IVT follows the usual procedures for municipal economic planning and budgeting. Municipalities have special educational boards to deal with the funding for schools and other institutions including VET. The municipal government (Kunnanhallitus) makes a proposal to the municipal council (Kunnanvaltuusto), which is the final decision-maker in funding municipal activities.

The individual municipalities also own federations of municipalities. The government and the council of the federations are the decision-making bodies, which are comprised by representatives of the owner municipalities. Municipalities give instructions to their representatives in the bodies concerning the funding of their individual VET institutions.

2.5.2.2 Distribution of the state subsidy for recurrent costs to IVT institutions owned by a federation of municipalities or private organisations

State subsidies for institutions owned by a federation of municipalities and private organisations are paid to the owners on a hundred percent calculation of the unit-prices.

The relevant bodies representing the owners decide the total amount of the budget for the VET institution and the allocation of funds for different fields of education. Thus, the total budget of the institution may exceed, or be lower than, the total gross subsidy. It is stipulated, however, that private institutions cannot make profits. Thus, any money saved from state subsidies must be used for educational purposes.

Nowadays it is quite common that the owner of an IVT institution (federation of municipalities or private body) gives autonomy to the managing directors to run the institution within the framework of state funding.

2.5.2.3 Distribution of the state funding for recurrent costs to state-owned institutions

After the transfer of the ownership of state VET institutions, only 9 remain. Their task is to educate disabled students and other special groups. The state institutions are funded by the state budget on a net basis. This means that they are able to benefit from their own earnings. Within the limits of the budget given by the National Board of Education, they have the freedom to operate quite autonomously.

2.5.3 Calculating, paying and accounting of state subsidies for recurrent costs

While the Ministry of Education decides the amounts of state subsidies for municipalities, federations of municipalities and other owners of VET institutions, the accounts, data collection and processing are undertaken by the National Board of Education.

The state and the municipalities do not have separate accounts for different institutions but they have general budgets. Thus, it is not the duty of individual institutions to take care of their financial solvency. Federations of municipalities and private owners are separate economic entities and are responsible for the liquidity position of the individual VET institution.

2.5.4 Distribution of state funding for capital costs

The total amount of IVT capital costs was 485 mill FIM (81 MECU) in 1996. The state allocated 195 mill FIM of its own investment for IVT and paid subsidies totalling 120 mill FIM (20 MECU) for municipal and private capital investment.

As described in 2.5.2, the capital costs are also funded on a formula basis by adding 4.3% to the unit-prices (recurrent costs). This amounts in total to 320 mill. FIM (54 MECU) per year. As this capital addition is one element in the lump sum subsidy system, it is not included as capital funding here to avoid duplication. It is merely one source for funding of capital costs.

Capital costs are funded mainly on a project basis. Building premises for state institutions are financed from the state budget. Building premises for municipal and private institutions is subsided by the state with a share varying from 25 to 70%; the rate depends on the economic solvency of the municipality. Municipal and privately-owned VET institutions finance approximately 10% of their capital costs.

The Provincial State Offices also have a role in distributing capital costs for IVT. Firstly, they make a priority list for the Ministry of Education for funding capital projects. Secondly, they decide on the funding for small investment projects in the budgetary framework given by the Ministry of Education.

There are two alternative mechanisms for the payment of state subsidies for capital funding. The first concerns municipalities in a weak financial position, where the subsidy is paid during the building project. The second one is for the owners of institutions with a good solvency position where the subsidy, increased with interest, is paid 7 years after completion of the project. The owner of the institution is responsible for the implementation and financing of the building project. For example, municipalities and federations of municipalities finance the project from their general funds or by taking a bank loan. This is also the case for private institutions.

2.5.5 Distribution of state study aid to IVT participants

The study aid paid by the state to the IVT students totalled 1,527 mill FIM (256 MECU) in 1996 for 163,000 IVT students.

Students apply for study aid to the Centre for Student Financial Aid. Students receive this support only while they are studying and it is paid monthly. The level of support depends on the age of the student as well as whether they are independent or residing within the parental home. In 1996, the study grant varied from 130 FIM per month (for a student under 18 living with their parents) to 1,270 FIM per month (for an independent student over the age of 18). Independent students may also receive accommodation allowances, covering 67% of their rent.

2.5.6 Distribution of state funding for apprenticeship training

The total volume of direct costs for apprenticeship training amounted to 341 mill FIM (57 MECU) in 1996. The funding of EU programmes was 48 mill FIM (8 MECU) consisting of 18 mill FIM (3 MECU) EU funding and 30 mill FIM (5 MECU) national funding. Municipalities funded apprenticeship training by 8 mill FIM (1.3 MECU).

The basis of state financing for apprenticeship training is a unit-price system. The unit-price is determined on the basis of the costs of apprenticeship training in the previous year. In 1996 the unit-price per apprentice amounted to 27,000 FIM (4,515 ECU) which was set by the Ministry of Education. The Ministry provides quotas for the number of apprenticeships for the 63 Local Apprenticeship Offices. The Local Offices have, within these limits, freedom to contract with employers. The Ministry of Education pays the state subsidy on a monthly basis to the Local Offices according to the unit-price and the estimated number of apprentices. From the beginning of 1999 this system changed. The state subsidy is now paid to the owner of the Local Office, i.e. to a municipality (as part of the lump-sum subsidy calculation) or to a federation of municipalities.

The Local Apprenticeship Offices make contracts with employers providing workplace learning and with educational institutions providing theoretical studies for apprentices (usually within Upper Secondary Vocational Institutions and Adult Vocational Training Centres). The Local Office has the freedom to contract case by case on the level of subsidy paid to the employer. In 1996, the average share of reimbursement paid to employers for the salaries of apprentices was one third of the total funding of apprenticeship training. This means a monetary flow of 124 mill. FIM (21 MECU) from Local Offices which amounts to 7,700 FIM (1,290 ECU) per apprentice, 640 FIM (107 ECU) per month. In 1996 the average cost for the theoretical training of apprentices was 15,300 FIM (2,560 ECUs) per trainee. This meant a contribution of 248 mill FIM from the Local Offices, mainly to the VET institutions.

The reimbursements for apprenticeship training are paid monthly to the employers and the VET institutions. A minor share of apprenticeship training is financed by the budget of municipalities and covers some administrative expenditure.

EU funding follows the individual programmes. The distribution mechanism follows the model of the national apprenticeship funding system.

2.6 Conclusions

2.6.1 Funding levels

Funding for initial training increased throughout the 1980s and 1990s, despite the economic recession, partly due to the increases in state funding for the increasing number of students. The need to increase the capacity of VET institutions during the 1980s also led to increases in capital expenditure. The share of IVT capital costs in 1986 was three times higher than in 1996. The decrease in capital investment has also been a result of the weak economic position of the state and municipalities.

The figures reflect the dominance of school-based IVT. The share of apprenticeship training was only 3% of the total recurrent costs for IVT, although it was increasing during the early 1990s.

Most direct funding for IVT derives from the state and municipalities. The share of state financing has been decreasing quite substantially during the 1990s, partly due to technical changes in the state subsidy system. In practice this has meant that targeted subsidies have been subsumed within a general subsidy system for municipalities. It was assumed, correctly, that municipalities would make corresponding changes in their funding activities and that VET would not suffer from these technical changes to the funding system. The decrease of state financing has also been due to the need to make real savings in state expenditure, which has led to the transfer of more funding responsibility to the municipalities. In addition, the amount of VET institutions' own earnings has risen substantially.

There are no tax incentives or other sources of indirect funding for IVT. The only source of indirect funding given here is the share of wages paid by employers to their apprentices. In 1996, the share of indirect private funding for IVT was almost four times that of 1986, due to the increase in the number of apprentices.

2.6.2 Distribution mechanisms for IVT

The IVT funding distribution system in Finland is regulated by formulas with a general lump-sum funding for municipalities and VET institutions. The systems are targeted at administrative efficiency, at encouraging economic rationality and at the delegation of decision-making powers to local and institutional levels. There are two key factors in the formula-based funding system, the number of students and the unit-prices per trainee. Although, the funds are allocated on a lump sum basis, the unit prices per trainee influence the funding decisions made by the owner of the VET institution. The rationale for the formula based funding system is to ensure that the unit prices follow the real cost levels. Every second year an index-adjustment is made and revisions are made to the unit cost levels according to the real per trainee costs.

The drawbacks to this funding system are twofold. First, it might be that the unit-prices do not follow the real expenditure of the relevant activity or institution. Secondly, connected with the lump nature of the system, the maintainer of the institution might allocate the funds in a way which is considered not to comply with the national standards or requirements. These two drawbacks are currently debated critically. It is argued that due to the savings in the state budget, the unit-price level is much lower than the real average expenditure per trainee. Secondly, due to the need to lower expenditure in municipalities, it is argued that they are reducing their budgets too heavily, which is affecting the quality of education. For example, a number of municipalities have been dismissing temporary teachers and other staff of schools and training institutions. This, of course, has led to an intensive political debate on the funding system as well as the role and the responsibility of the state and municipalities in guaranteeing an equal service level for citizens.

Part 3: Continuing vocational education and training

3.1 Background

The general volume of CVT in Finland was low until the 1980s. Since that time additional capacity has been created to stimulate CVT and to develop markets for this type of training. Practically all VET institutions offer CVT courses for employers and individuals. Competition between different institutions for clients is real.

3.1.1 Types of CVT

To distinguish between different forms of VET for adults, three types of training can be identified. The first two tend to be publicly funded, although there are some forms of co-financing by enterprises and individuals. A special term "self-motivated adult education and training" (Omaehtoinen koulutus) is used to mean that the person is attending VET on his/her own initiative. The third type of training is funded mainly by enterprises.

- Adults may study basic vocational examinations originally structured for young people, which is publicly funded. A special application of the vocational curricula applies to the initial training of adults. The funding system for initial training for adults is the same as that for IVT for young people. In the quantitative steering system there is a special quota on the number of adults in IVT for VET institutions. The funding figures for this type of training have been included within the IVT part of this report as it is treated as IVT within the Finnish training structure.

- Other forms of adult training are called "additional vocational training" (Ammatillinen lisäkoulutus), which is divided into training aimed at vocational qualifications (Ammattitutkinto), supplementary (Ammatillinen täydennyskoulutus) or further vocational training (Ammatillinen jatkoloulutus). These different types of CVT cannot be separated in the funding statistics and will be described in total terms. Additional apprenticeship training for adults is also available, which is classified here as CVT.

- "In-service" training (Henkilöstökoulutus) is used here to mean the training of employees, which is financed by employers. This is virtually the only part of the Finnish VET system that is funded by employers.

The Vocational Qualifications Act (Ammattitutkintolaki), which was passed in 1993 and implemented in 1994, introduced a wide-ranging competence-based examination system (Näyttötutkintojärjestelmä) that was open to adults regardless of how they have acquired their skills. There are three kinds of qualification: basic vocational qualifications (Ammatillinen perustutkinto), further vocational qualifications (Ammattitutkinto) and specialist vocational qualifications (Erikoisammattitutkinto). The basic vocational qualification level corresponds to the basic level of IVT qualification. At the current time, there are more than 300 vocational qualifications available to adults. The social partners have a strong influence in developing appropriate vocational qualifications and in executing the new qualifications system.

3.1.2 Institutional and funding framework for CVT

Until 1991, most publicly funded adult vocational training was provided within the IVT institutional structure at upper secondary level. Since that time Adult Vocational Training institutions, which were originally designed for training the unemployed, have increasingly provided training for employed adults. In addition, a quota for the initial training of adults has also been stipulated (the funding of this has been included within the IVT part of this report).

Following the strategy to develop working markets for CVT, the institutional level is divided into two parts: the provider and purchaser of CVT. The main providers of CVT are vocational institutions (upper secondary, AMK and Adult Vocational Training Centres), universities and some other institutions. Most vocational institutions provide CVT courses. Some of them concentrate more on CVT, for instance Adult Vocational Training Centres (Ammatillinen Aikuiskoulutuskeskus) and Institutions for Specialised Training (Ammatillinen erikoisoppilaitos). Adult Vocational Training Centres are maintained by municipalities, a federation of municipalities or are established as limited companies (although the Ministry of Education supervises them), whereas Institutions for Specialised Training are owned and maintained by enterprises. There are also a number of commercial private education establishments. The purchasers of CVT are:

- Provincial State Offices, which receive a budget allocation from the Ministry of Education;
- Other ministries and their regional and local offices, to a small extent;
- Private and public employers;
- Individuals.

The main source of public funding for CVT is the state budget of the Ministry of Education which, since the mid-1990s, has been distributed to Provincial State Offices (Lääninhallitus) for the purchase of CVT. Provincial State Offices allocate the funds for courses to individual training institutions. In 1997 the position of the educational offices within the Provincial State Offices was strengthened and substantial appropriations were transferred to the CVT budget (530 mill FIM, 90 MECU). The total sum for purchasing CVT amounted to 1,060 mill FIM (180 MECU) in 1997. Much of the budgetary increase can be attributed to the decision of the Ministry of Education to fund adult CVT courses that lead to a vocational qualification.

There is also a high degree of mixed funding for CVT comprising state subsidies, payments of employers, employees and individuals. Statistics on many of these aspects are insufficient.

3.1.3 Financing the living costs of trainees

In addition to the state subsidies available for institutions providing CVT, there are also two sources of financing for adults over the age of 30 participating in vocational education and training. These are:

a) Adult study aid (aikuisopintoraha).
The level of state study aid for adults varies from 1,540 FIM (258 ECU) to 2,800 FIM (468 ECU) per month. The state study aid also includes a state guarantee for study loans.

b) The Training and Severance Fund (Koulutus- ja erorahasto)
This Fund was established in 1991 after a special Act was passed in 1990. The aim of the Fund is to support employed people attending full-time training on their own initiative through a vocational training grant (Ammattikoulutusraha) and to provide an additional study grant (Erorahan aikuiskoulutuslisä) for people who have recently become unemployed. It is available to those who want to attend full-time vocational training within upper secondary or AMK institutions or universities for at least one month. There are a number of other conditions attached to receiving this grant from the Training and Severance Fund, which is administered on a tripartite basis. The level of vocational training grant in 1996 was 1,400 FIM (230 ECU) per month for employed people undertaking training. The level of additional grant for adult training for people who have recently become unemployed was 1,100 FIM (180 ECU) per month in 1996. Total expenditure on study grants from the Training and Severance Fund is to be found in Table 24 (3.2.6).

Table 18: Number of beneficiaries of the Training and Severance Fund in 1991 and 1996

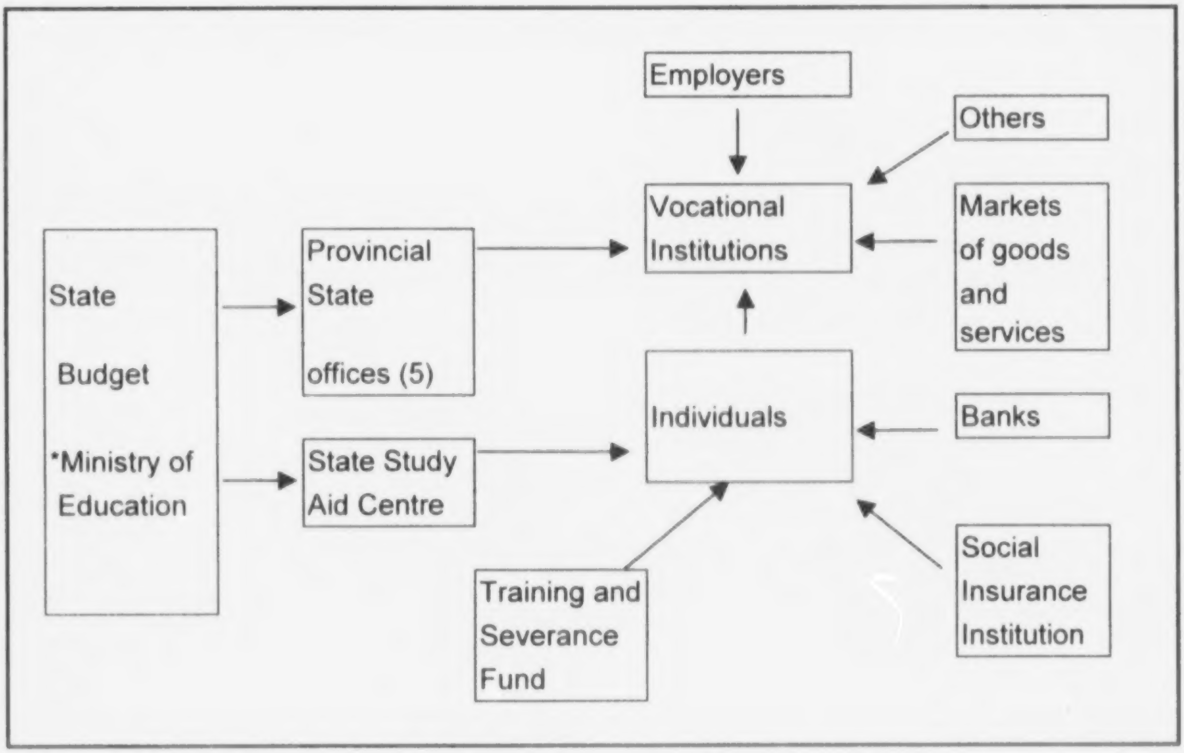
	1991	**1996**
Vocational training grant	12,600	4,100
Additional adult training grant	4,700	7,600
Total	**17,300**	**11,700**

Source: Annual report of the Training and Severance Fund, 1991 and 1996.

In addition to these specific grants targeted at adults participating in CVT, rehabilitation benefits can be granted to persons whose fitness for work and possibilities for earnings are reduced due to sickness or injury. This benefit is granted and paid by the Social Insurance Institute (Kansaneläkelaitos). The number of recipients of the grant is estimated to have been 25,000 in 1996, 26,000 in 1991 and 23,000 in 1986. In 1996 the level of the benefit varied between 150 FIM (25 ECU) and 200 FIM (33 ECU) per day.

3.1.4 The flow of funding through the CVT institutional structure

Figure 5: The flow of money through the CVT institutional structure


Employers
Others
Vocational Institutions
Markets of goods and services
State Budget *Ministry of Education
Provincial State offices (5)
Individuals
Banks
State Study Aid Centre
Social Insurance Institution
Training and Severance Fund

3.2 Direct sources of funding

3.2.1 General

Statistics on continuing vocational training in Finland are incomplete. There is more data from 1996 than from 1986 and 1991. Thus, the development of CVT volumes can be described only in general terms. Participation in adult education in Finland is very common. According to the statistics 941,000 people participated in adult education in 1980, 1,527,000 people in 1990, and 1,556,000 people in 1995. These figures include both general and vocational education and training. 1,092,000 people in 1990 and 1,032,000 people in 1995 received training in connection with employment, which is 43% of the total labour force.

The direct sources of funding include state funding, municipal funding, funding of in-service training, private funding by certain enterprises for maintaining their own VET institutions, EU funding for development of human resources including national and private shares, and the funding of study aid for adults.

In-service workplace training is itemised separately in the following tables with rough estimates. The assumptions behind the estimates are clarified in 3.2.7.2 (in-service training). The funds collected by insurance payments for the purposes of retraining are included in the national funding figures in the following table.

Table19: Sources of direct funding for CVT in 1986, 1991 and 1996 (MECU in 1996 prices)

	1986		1991		1996	
	MECU	**%**	**MECU**	**%**	**MECU**	**%**
EU					7	0.1
National	82	21.8	168	30.8	201	30.9
Local	2	0.5	1	0.2	5	0.8
Private	66	17.6	68	12.5	109	16.7
In-service training	226	60.1	309	56.6	329	50.5
Total	**376**	**100**	**546**	**100**	**651**	**100**

The total level of funding for CVT has increased by 75% since 1986 and by 20% since 1991. The share of national funding for CVT has increased by 10%. This increase is the result of the creation of new support systems in the beginning of the 1990s for adults attending vocational training. Local funding has no relevant role except regarding the in-service training of municipal personnel, which for practical reasons is included as private funding in the figures within this section. Private funding includes the enterprise share in financing institutions within trade and industry and the own earnings of adult training institutions. The result of the estimation on in-service training affects the total figures for CVT. Thus, the total picture for CVT funding should be interpreted cautiously.

3.2.2 EU funding

The budgetary frameworks of the European Social Fund's (ESF) objective 3 and 4 programmes are mainly allocated to the development of human resources. The ESF objective 3 programme is mainly targeted at the development of the unemployed and is outlined in 4.2.2 (training for the unemployed). The development and education measures of ESF objective 4 programmes are aimed at developing the skills of employees. Although the implementation of the programme has other elements, the funding of this programme is mainly classified as CVT according to the priorities of the programme.

Table 20: EU funding of CVT in 1996 (including national and private contributions)

	EU	National	Private	TOTAL
Mill FIM	41	58	65	164
MECU	7	10	11	28

Source: Annual report on the European Social Fund objective 4 programme, Finland, 4.6.1997 Ministry of Labour

EU programmes were still in their launching phase in 1996. Funding has increased in 1997 and 1998. A total of 23,900 people have started training or other development activities within the framework of EU programmes.

3.2.3 State funding of CVT

State funding of CVT comprises subsidies for VET institutions (some of which are owned and maintained by enterprises), apprenticeship training (CVT element), Provincial State Offices to purchase CVT and Study Grant for adults.

Table 21: State funding of CVT

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
State subsidies for:								
Institutions for specialised training	79	124	21	177	200	33	140	23
Apprenticeship training	53	84	14	89	101	17	44	7
Purchasing CVT	78	123	21	84	95	16	525	88
Adult study grants				250	283	47	154	26
Total	**210**	**331**	**55**	**600**	**679**	**114**	**863**	**144**
Per capita ECU (1996 prices)	**1986**			**1991**			**1996**	
Institutions for specialised training	4			7			4	
Apprenticeship training	3			3			1	
Purchasing CVT courses	4			3			17	
Adult study grants				9			5	
Total	**11**			**22**			**27**	
% of GDP	0.07			0.13			0.15	

In addition to the state funding outlined above, there is an additional form of benefit available for people participating in education and training whose fitness for work is reduced due to sickness or injury known as rehabilitation benefit. This benefit is financed by the Social Insurance Institute (Kansaneläkelaitos), which receives funds from general social security payments. The amount of benefits outlined in the table below is mainly used for vocational retraining (CVT) including general and higher education. It is estimated in the following figures that 90% of the rehabilitation grants are used for vocational training.

Table 22: Support for rehabilitation training

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
	102	160	27	184	208	35	200	33

3.2.4 Regional funding of CVT

The Ministry of Education allocates the CVT budget to the Provincial State Offices to be used for the purchase of CVT courses. Figures for 1996 are included in the state funding above. As stated earlier in this report (3.1.2.), appropriations amounting to 530 mill FIM (90 MECU) were transferred in 1997 from the initial VET budget to the CVT budget to be allocated, in the main, to the Provincial State Offices for the purchase of CVT.

3.2.5 Municipal funding of CVT

There is no legislation obliging municipalities to finance CVT. In practice, as municipally owned Upper Secondary, AMK institutions and Adult Vocational Training Centres supply CVT courses, municipalities do fund CVT on a small scale. There is no database for assessing these amounts; although based on reports from 1986 the municipal contribution to financing CVT was 4 mill FIM. Assuming that the share of municipal funding in CVT has remained at the same level, it can be estimated at 27 mill FIM in 1996. Adding the share of funding from municipalities in apprenticeship CVT (through Local Apprenticeship Offices – see IVT section), the total funding of the municipalities is estimated as follows:

Table 23: Funding of CVT by municipalities

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**		**MECU**
	6	9	2	6	7	1	28	5

3.2.6 Social Partner funding of CVT through study aid

The Training and Severance Fund is financed from the unemployment insurance funds collected from employers and employees. During the 1990s, these payments have averaged approximately 1% of their contribution to the unemployment insurance funds. The level of unemployment insurance contribution for the Fund is decided yearly by the Ministry of Social and Health Affairs. While the grants provided by the Training and Severance Fund are partly targeted at people over the age of 30 who have lost their jobs, it is not considered part of the framework for training for the unemployed.

Table 24: Study aid granted by the Training and Severance Fund

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
	-	-	-	98	111	19	84	14

Source: Annual report of the Training and Severance Fund, 1991 and 1996

3.2.7 Enterprise and individual funding for CVT

3.2.7.1 Publicly supported CVT

Funding by enterprises for CVT can only be calculated on the basis of statistics on VET institutional expenditure and finance. Some sectors of trade and industry maintain their own institutions, which are called 'Institutions for Specialised Training' (Ammatilliset erikoisoppilaitokset). These institutions (48 in 1996) receive a state subsidy, which is included in the funding figures for central government above. In addition the financing of Institutions for Specialised Training is composed of funding from the owner, the revenue from selling products and services and from trainee fees.

Table 25: Financing of Institutions for Specialised Training

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**Actual**	**MECU**
Trade/industry (owners)	132	208	35	129	146	24	291	49
Trainee fees	71	112	19	121	137	23	111	19
Own earnings	42	66	11	49	55	9	76	13
Total	**245**	**386**	**65**	**299**	**338**	**56**	**478**	**81**

Note: As employers usually pay the trainees' fees, they are included in enterprise funding in the summarising tables later in this section.

Source: Reports and files of the costs, income and state subsidies of vocational institutions, 1986, 1991 and 1996, National Board of Education

For the provision of CVT within other publicly maintained institutions, the share of trainee fees in CVT purchased by the Provincial State Offices was 8% and the share of enterprises 3% of the total expenditure of training courses (survey by the Ministry of Education). On the basis of these figures as well as registered information from 1986 and 1991 on the revenue of public IVT institutions, the private financing of these CVT courses is estimated in the following table.

Table 26: Private funding of training courses and purchases of CVT

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
Employers	5	8	1	5	6	1	16	3
Trainees	4	6	1	4	7	1	42	7
Total	**9**	**14**	**2**	**9**	**13**	**2**	**58**	**10**

Source: Survey made by the Ministry of Education concerning CVT purchases of Provincial State Offices (1.4.1998), for 1996. For 1986 and 1991, the reports and files on cost, income and state subsidy of VET institutions.

Additional information is available on the provision of CVT by Adult Vocational Training Centres (45 in 1996). As well as providing training for the unemployed and other publicly financed adult training, these Centres also sell training to enterprises, other employers and individuals (more detail concerning these Centres is provided within the Training for the Unemployed Section of this report).

Table 27: Sale of CVT by Adult Vocational Training Centres to enterprises and individuals

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
	-	-	-	54	61	10	41	7

Table 28: Summary of the funding by enterprises public CVT

	1986	1991	1996
In 1996 prices, mill FIM 1)	394	405	600
In 1996 prices, MECU	66	67	102

1) These figures do not include the private purchase of training by individuals. Including these figures the total funding by enterprises and individuals amounts to 400 Mill FIM (67 MECU) in 1986, 412 Mill FIM (68 MECU) in 1991 and 642 Mill FIM (109 MECU) in 1996. The own earnings of the Institutions for Specialised Training are included within these figures as are the private contributions to EU funding in 1996.

3.2.7.2 In-service training

As stated in the introduction, statistics on in-service workplace training provided by enterprises are insufficient to give a detailed picture of its development and level of funding. Statistics within Finland indicate only the volume of in-service training, in terms of the number of participants in training and the average length of training courses. The Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusiitto – TT) has collected data on in-service workplace training from member enterprises.

- Costs of in-service training

The Confederation of Finnish Industry and Employers estimates in its survey that the total expenditure on in-service training (including wage costs) in industry was 1,800 mill FIM (310 MECU) in 1988, 1,000 mill FIM (167 MECU) in 1993 and 1,800 mill FIM (301 MECU) in 1995. According to the survey, the estimate on in-service training costs in 1997 is 2,300 mill FIM (385 MECU). The increase in funding for in-service training seems reliable, taking into account the economic position of industry in those years. The survey indicates a 7.4% share of public financing for in-service training in enterprises (this includes the state subsidy for Institutions for Specialised Training owned by enterprises as well as public subsidies for the joint funding of CVT courses). The result of the survey shows that the balance between the training costs and the wage costs are equal to approximately 50% of the total costs.

Estimates for expenditure on in-service training are provided within the monograph on vocational education and training in Finland (CEDEFOP, 1997). According to these estimates, expenditure on in-service training was 3,152 mill FIM (527 MECU) in 1992 and 2,687 mill FIM (449 MECU) in 1995. According to the figures of the Confederation of Finnish Industry and Employers and taking into the consideration the development of Finland's national economy, it seems likely that the volume of in-service training has been strongly increasing between 1995-98.

- Estimates on the funding of in-service training by employers

On the basis of the statistics and assumptions presented above, the volume and costs of in-service training is estimated as follows:

Table 29: Estimate on the volume and funding of in-service training

	1986		1991		1996	
Number of participants	668,000		788,000		897,000	
Average length of training, days	7.1		6.8		6.6	
Costs/training day: 1996 prices, FIM	700		800		800	
Total costs: 1996 prices, mill FIM	**3,319**		**4,286**		**4,736**	
Public funding: mill FIM	616		587		802	
Net funding of employers (1996 prices) in:	**Mill FIM**	**MECU**	**Mill FIM**	**MECU**	**Mill FIM**	**MECU**
	2,703	452	3,699	619	3,934	658
- Direct training costs = 50%	1,352	226	1,850	310	1,967	329
- Indirect training costs = 50%	1,352	226	1,850	310	1,967	329

Note: Enterprise funding of CVT itemised in previous sections is not included to avoid duplicate figuring of funding.

Sources: 1) Survey of the Confederation of Finnish Industry and Employers, 1997,
2) CEDEFOP monograph: Vocational education and training in Finland, 1997,
3) Education in Finland, Statistics Finland, 1998.

3.3 Indirect funding

As with IVT, the only item recorded as indirect costs for CVT is the salary costs paid by the employers to apprentices and salary costs to employees participating in in-service training. The salaries paid to apprentices are shown in the table below.

Table 30: Salaries from employers paid to apprentices

	1986			1991			1996	
In mill FIM/MECU	**Actual**	**1996**	**MECU**	**Actual**	**1996**	**MECU**	**1996**	**MECU**
	179	282	47	203	230	38	301	50

3.4 Total level of funding for CVT

Table 31: Total level of funding CVT (1996 prices)

	1986			**1991**			**1996**		
In mill FIM MECU	**1996**	**MECU**	**ECU/ capita**	**1996**	**MECU**	**ECU/ capita**	**1996**	**MECU**	**ECU/ capita**
Direct Funding									
– EU	-	-	-	-	-	-	41	7	1
– State	331	56	11	679	113	23	921	154	30
– Municipal	9	2	0	7	1	0	28	5	1
– Enterprise	394	66	13	405	67	13	600	102	20
– Trainees	6	1	0	7	1	0	42	7	1
– Social Ins Funds [1]	160	27	5	319	54	11	284	47	9
Total direct funding	**900**	**151**	**29**	**1,417**	**237**	**47**	**1,916**	**322**	**62**
Indirect funding	**282**	**47**	**10**	**230**	**38**	**8**	**301**	**50**	**10**
In-service training									
– Direct funding	1,352	226	46	1,850	310	61	1,967	329	64
– Indirect funding	1,352	226	46	1,850	310	61	1,967	329	64
Totals									
– Direct funding	2,252	377	75	3,267	547	109	3,883	651	126
– Indirect funding	1,634	273	56	2,080	348	69	2,268	379	74
Total	**3,886**	**649**	**131**	**5,347**	**895**	**178**	**6,151**	**1,030**	**200**
% of GDP	**1986**			**1991**			**1996**		
– Direct funding	0.45			0.61			0.67		
– Indirect funding	0.33			0.39			0.39		
Total	0.78			1.00			1.06		

Note: National and private funding of EU programmes is included in the funding of the state and the enterprises

[1] This includes support for rehabilitation training and funding from the Training and Severance Funds

Table 32: Shares of different sources in funding CVT (MECU in 1996 prices)

	1986		1991		1996	
	MECU	%	MECU	%	MECU	%
Direct funding	**377**	**57.9**	**547**	**61.1**	**651**	**63.2**
– Public funding (state/municipal) [1]	58	8.9	114	6.5	166	16.1
– Funding of study aid [2]	27	4.2	54	12.7	47	4.6
– Private/other sources [3]	67	10.3	68	7.9	107	10.3
– In-service training	226	34.8	310	34.6	329	31.9
Indirect funding (private)	**273**	**42.1**	**348**	**38.8**	**379**	**36.8**
– Salaries of apprentices	47	7.2	38	4.2	50	4.8
– In-service training	226	34.8	310	34.6	329	31.9
TOTAL	**649**	**100**	**895**	**100**	**1,030**	**100**

[1] For 1986 and 1991 these figures include state and municipal funding (excluding funding for study aid). The 1996 figures include the national contribution to EU funds.

[2] For 1986, the funding of study aid only includes support for rehabilitation training. For 1991 and 1996, the figures include study grants.

[3] Private funding includes funding from enterprises and trainees for publicly supported CVT.

It is not possible to definitely conclude the trends in funding CVT from the table above due to the estimated figures for in-service training, which accounts for approximately 65% of the total expenditure in 1996. However, there are many different types of CVT, and correspondingly different sources of funding. The main current source of public funding for CVT is the appropriations from the Ministry of Education, which are allocated to the Provincial State Offices for the purchase of CVT courses. Following the policies in the 90s, the share of public funding of CVT (study aid included) in 1996 had increased by 7% from 1986 and by 2% from 1991.

3.5 Funding distribution mechanisms

3.5.1 EU funding

In 1996 during the experimental period for EU programmes in Finland, EU funding (ESF objective 3) for CVT amounted to 41 mill FIM (7 MECU) together with national and private funding, 123 mill FIM (21 MECU). These funds are administered by the responsible ministries and according to the directions given by the European Commission and are distributed by the ministries to the organisations managing the projects.

3.5.2 State funding and funding of study aid

The appropriations for CVT are decided annually in the context of the state budget. This process is described in more detail within the IVT section at 2.1.4.

3.5.2.1 Direct Subsidies (Institutions for Specialised Training and apprenticeship CVT training)

The State funding for VET Institutions for Specialised Training is based on a formula funding system, in which the volume of training is measured by the number of teaching hours and study weeks. The Ministry of Education decides annually on the unit-prices following the real costs for the previous year. The Ministry of Education makes a decision on the volume indicator of training to be used as the basis of funding for each institution. The National Board of Education is the agency responsible for accounting, data processing and information services. The Ministry of Education pays the state subsidy monthly to the owners of the individual institutions (enterprises). This is the distribution mechanism for all state subsidies for financing of privately owned Institutions for Specialised Training providing CVT.

The distribution of funding for apprenticeship continuing training follows the pattern of initial apprenticeship training described in 2.5.6. The unit-price for continuing training is 17,000 FIM (2,820 ECU) per apprentice, which is substantially lower than that for initial apprenticeship training (4,515 ECU). Funds for apprenticeship CVT are distributed by the 63 Local Apprenticeship Offices to employers and vocational institutions in the same way as initial apprenticeship training.

3.5.2.2 Subsidies for the purchasing of training by Provincial State Offices

In 1996, the Ministry of Education financed the purchasing of CVT by 525 mill FIM (88 MECU) based on the appropriation for this purpose within the state budget. This was allocated to the Provincial State Offices (11 in 1996, 5 in 1998) to be used for the purchase of CVT from providers of VET. On the basis of tenders for CVT courses, Provincial State Offices make funding decisions. If the Office decides to fund the tendered CVT course, a contract is made between the Office and the training provider. The Ministry of Education has given directives concerning the purchasing of CVT in this way, outlining certain targets and guidelines to the Provincial State Offices. For example, in 1996, these guidelines emphasised that the share of examination based vocational qualifications training should be increased. The Ministry has also given guidelines that the fees collected from trainees should be kept at a reasonable level. The Ministry of Education negotiates with representatives of each Provincial State Office to reach agreements on regional targets and the principles for the allocation of state funds for CVT.

The CVT contract between the Provincial State Office and the chosen training provider includes a payment plan for funding according to the number of expected trainees stipulated within the contract. The funding plan is followed if the volume of trainees matches the expected number.

3.5.2.3 Study aid for adults

The total amount of state study grants for adults was 154 mill FIM (26 MECU) in 1996. The study aid granted by the Training and Severance Fund amounted to 84 mill FIM (14 MECU). The amount of support for rehabilitation training funded by the National Pension Institute was 200 mill FIM (33 MECU). These grants are provided by the bodies responsible for the administration of these Funds on the basis of detailed norms and on the application of students and persons entitled to receive the benefit. Grants are paid to the trainees monthly via their bank accounts.

3.5.3 Private and enterprise funding

Private funding for CVT comprises trainee fees and funding by enterprises. The funding levels for enterprises to the Institutions for Specialised Training are decided by the owner enterprises of these institutions. Other funding for CVT and in-service training is decided by the enterprises within the framework of the staff development programme, which is applied in most of Finnish companies and public agencies.

3.6 Overall conclusions

The direct funding of continuing training has been steadily rising over the examined period. This has been mainly due to the increased level of state funding for VET including new elements of study grants for adults in 90s. Several different arrangements for funding CVT have been created, but there remains a clear distinction between public and private funding of VET.

Finland has maintained a tradition of funding continuing education and training from public funds, as can be seen from the above. Decisions that were made during the 1980s to increase the level of participation in CVT were based on a commitment from the state to finance that increase. Employers fund mainly in-service training. The estimate of the volume of in-service training is fairly uncertain and the reader should be careful in making conclusions from the figures presented here. The volume of in-service training decreased during the recession of the Finnish national economy in the beginning of 90s, but surveys indicate that it is now increasing. During the recession, the state increased its funding of CVT as one element to relieve some of the potential employment problems.

Part 4: Training for the unemployed

4.1 Background

The targets of training for the unemployed are to balance the supply and demand of the labour force, to meet the demands of the labour force and to prevent unemployment. Within the framework of the state budget allocation, the labour administration acquires employment training mainly for the unemployed and for those under threat of unemployment. Training for these groups is provided by Adult Vocational Training Centres, IVT institutions, universities and other providers of training.

Participation in employment training in 1996 was 118,500 trainees measured in terms of enrolment levels. Of these, 103,600 completed their training courses. In terms of capacity, there was an average of 42,300 students in employment training during 1996. The average length of training courses is approximately 4 months. The number of trainees rose sharply between 1991-96. In 1991 the average number of trainees was 18,400, this grew by 130% in 1996, mainly due to the sharp increase in unemployment rates.

4.1.2 Institutional and funding framework

There is a dual system for organising and funding training for the unemployed in Finland. The training is mainly provided by institutions supervised by the Ministry of Education and funded by the Ministry of Labour. The regional and local labour administration, under the Ministry of Labour, are responsible for purchasing training courses for the unemployed from a variety of training providers. The Ministry of Labour allocates the budget to the Regional Employment and Economic Development Centres (Työvoima- ja elinkeinokeskus). These district organisations fund employment training directly, they also allocate money to the Local Labour Offices (työvoimatoimisto) to acquire training locally.

Until 1991, Adult Vocational Training Centres were the sole training providers for training unemployed people. The Centres were supervised and financed by the Ministry of Education, while the Ministry of Labour regulated the enrolment of students. The regional and local branches of the Ministry of Labour undertook the practical placement of unemployed people in training. Reforms started in 1990 with the Act on Adult Vocational Training Centres (Laki ammatillisista aikuiskoulutuskeskuksista) and the Act on Employment Training (Laki työvoimapoliittisesta aikuiskoulutuksesta). These reforms introduced the principle that Adult Vocational Training Centres had to compete with other training providers for local and regional contracts for training the unemployed. In addition, they were able to compete with other training providers for a share of the CVT market for adult education and training.

The general idea of this change was to divide the framework for training for the unemployed into the demanding sector and the providing sector. There were doubts about

the future of Adult Vocational Training Centres given that they were originally established for training the unemployed, but the change proved to be successful. This was partly due to the organisational flexibility of the Centres but mainly due to the growth in demand for training for the unemployed during the 1990s. In 1996, Adult Vocational Training Centres had 57% of the market for training the unemployed.

Table 33: Distribution of purchases of employment training between different types of suppliers in 1991 and 1996

	1991 (%)	1996 (%)
Adult Vocational Training Centre	76	57
University	3	5
Other institution	20	28
Other supplier	5	10
Total	100	100

Source: Surveys in employment training, Ministry of Labour

While the Adult Vocational Training Centres continue to be supervised and funded by the Ministry of Education and the Ministry of Labour, most of them are owned and maintained by municipalities or a federation of municipalities. The organisational form of some of the Centres is as a limited company or foundation. In 1999, there were 54 Adult Vocational Training Centres.

The Ministry of Education supervises the Adult Vocational Training Centres and allocates them a basic subsidy of 10% of their total budget. The rationale for the basic subsidy is to keep the centres competitive with other institutions, which mainly offer initial VET and are able to price training courses at marginal costs. The amount of the basic subsidy has been decreasing in recent years. Other budget appropriations for training for the unemployed were transferred from the Ministry of Education to the Ministry of Labour in the early 1990s when the system was being reformed.

In addition to the state institutional funding structure for training the unemployed, employers can also contribute to the financing of employment training on a joint basis with the labour administration. This kind of co-financing arrangement can be used when a company is restructuring its production and needs to hire personnel with new skills and/or needs to re-train its existing staff. The employer and the local labour office negotiate on the level of co-funding for the required training courses. The joint purchasing of employment training by the labour administration and employers represents a minor share of total employment training.

4.1.3 Terms of training for the unemployed

The Local Employment Offices (Työvoimatoimisto) select the participants for employment training. Priority is given to the unemployed, those threatened with unemployment, people without initial training and people who must learn a new profession for health reasons. People under the age of 20 are usually excluded from these groups. The Local Employment Offices negotiate with potential trainees to find the best individual programme from the existing supply of training courses. The Act on Unemployment Security in 1990 (Työttömyysturvalaki) stipulates that, in certain circumstances, it is obligatory for an unemployed person to attend training to improve his chance of employment or lose his/her right to claim unemployment benefit.

In 1995 and 1996, decisions were made to facilitate the employment situation for young people. Unemployed people under the age of 25 were obliged to attend initial vocational education and training under penalty of losing their labour market benefits (aid for youngsters without initial VET and work experience corresponding to unemployment benefit). This programme is financed through the initial VET system.

4.1.4 Financing living of trainees

The national unemployment benefit system is complicated; the following description is a simplification.

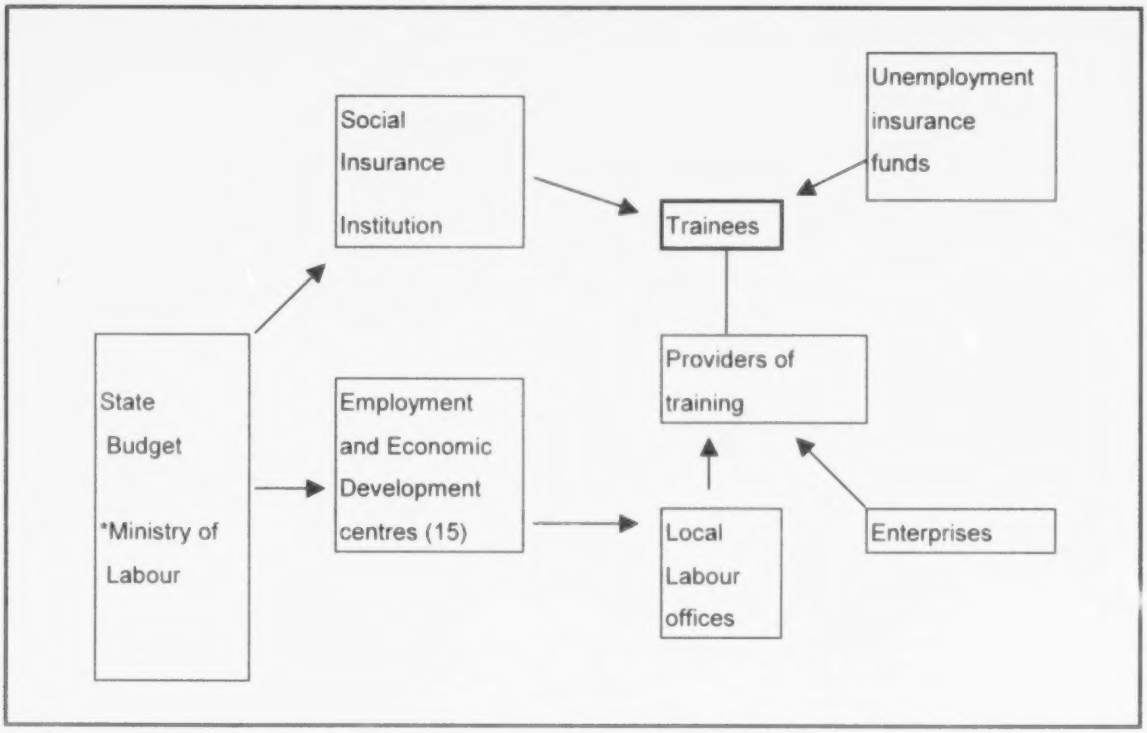
There are three basic forms of unemployment benefits, 1) labour market benefit, 2) basic per diem for the unemployed and 3) salary-based per diem. The first two are financed totally by the state. The salary-based per diem is financed jointly by the state, employers and employees. The financial share from employers is collected through unemployment insurance fees. In addition to salary-based allowances, these funds are used to partially finance the employers' share of trainee benefits, the operations of the Training and Severance Fund and some other reimbursements. In 1996, the unemployment insurance fee was 1% of an enterprise's total salaries up to FIM 5 mill (836,000 ECU) and 4% for enterprises with total salaries exceeding this amount. The unemployment insurance fee for employees was 1.5% of their salary.

The benefits received while attending employment training follow the pattern of normal unemployment benefits. The benefits include training grant or labour market grant plus maintenance and accommodation reimbursement. The training grant is divided into basic and income-based shares. The basic share equals the basic per diem of unemployment benefit, 120 FIM (20 ECUs) per day. The income-based share, which is only received by members of unemployment funds, is 42% of the difference between the former daily income and the basic share. The labour market grant differs from the basic per diem grant in that it recognises the time spent in work and the time spent in unemployment, but it equals the level of the basic per diem. Maintenance and accommodation reimbursement totals maximum 60 FIM (10 ECUs) per day.

Since 1997 it has been possible for the unemployed, under certain conditions, to attend any VET programmes and training courses without losing the normal unemployment benefits.

4.1.5 Flow of funding for training for the unemployed

Figure 6: Flow of funding through the employment training structure


Social Insurance Institution
Unemployment insurance funds
Trainees
State Budget
*Ministry of Labour
Employment and Economic Development centres (15)
Providers of training
Local Labour offices
Enterprises

4.2 Sources of funding for training for the unemployed

4.2.1 Introduction

According to the principle contained within constitutional law, the state is responsible for the labour force. From this principle, the funding for training the unemployed has traditionally been an obligation of the state. The level of annual funding from the state budget is largely correlated with the level of unemployment. In addition, EU programmes have brought a new element to national employment policies. In line with general EU policies, the Social Fund programmes in Finland are focused on reducing unemployment and on relieving the consequences of unemployment.

4.2.2 EU funding

The strategy of the EU Social Fund objective 3 programme is: to prevent long-term unemployment and to facilitate the transition of the long-term unemployed to the labour market; to prevent the marginalisation of the unemployed; to promote economic growth by supporting new jobs and by developing skills in SMEs; and to prevent the marginalisation of youngsters without vocational skills and to facilitate their transition to the labour market after a period in training. The programme includes an apprenticeship project for continuing training for the unemployed, mainly for those under 25 years who already have an IVT qualification. Private funding for this project consists of salaries paid to apprentices (14 MECU), which is included in the annexed tables showing the total indirect funding of VET.

In 1996, the ESF objective 3 programme reached 24,700 people who were mainly unemployed.

Table 34: EU funding for development activities and training for the unemployed in 1996, combined with the national and private funding shares

	EU	National	Private	Total
In 1996 prices, mill FIM	229	459	141	829
MECU	38	77	24	139

In the following tables national funding for EU programmes is included within the state funding figures.

4.2.3 State funding of training for the unemployed

Until 1991, the implementation of training for the unemployed was almost exclusively the task of Adult Vocational Training Centres. These institutions were totally financed by the Ministry of Education. As outlined in 4.1.2 the system was changed in the 1990s. Since 1991, the labour administration through the Regional Employment and Economic Development Centres (and their Local Labour Offices) has been the purchaser of training courses for the unemployed. The major part of the appropriations for training is within the budget of the Ministry of Labour, although Adult Vocational Training Centres are under the supervision of the Ministry of Education, which also grants a basic subsidy for them from the education and training budget. In 1996, the expenditure for purchasing employment training amounted to 1,082 mill FIM (181 MECU) and expenditure on social benefits for the trainees amounted to 1,195 mill FIM (200 MECU). Subsidies for the Adult Vocational Training Centres within the budget of the Ministry of Education amounted to 172 mill FIM (29 MECU), which is approximately 10% of the total expenditure of the institutions.

Table 35: Funding of training for the unemployed

	1986				**1991**				**1996**		
In mill FIM/ MECU	Actual	1996	Mecu	ECU/ capita	Actual	1996	Mecu	ECU/ capita	1996	Mecu	ECU/ capita
Ministry of Labour:											
Trainee benefits	326	514	86	17	732	829	139	28	1,195	200	39
Purchase of training courses	-	-	-	-	614	695	116	23	1,082	181	35
Subsidy for Vocational Adult Centres	661	1,041	174	35	256	290	48	10	172	29	6
Total	**987**	**1,555**	**260**	**52**	**1,602**	**1,814**	**304**	**61**	**2,449**	**410**	**80**
% of GDP	0.31				0.35				0.43		

Sources: Surveys on employment training, Ministry of Labour
Report on the balancing of state accounts, 1986, 1991, and 1996.

The volume of employment training has increased during the examined period by over 150%.

Table 36: Annual volume of training for the unemployed

	Average number of students
1986	16,500
1991	18,400
1996	42,300

The efficiency of training for the unemployed has increased considerably since the 1980s, measured by the annual costs per trainee place. This reduction in unit costs has been due, in part, to a transfer of money from training expenditure to the social benefit appropriations within employment training.

4.2.4 Private funding

In addition to the funding of EU programme costs, there is a source of private funding called the joint acquisition of training. The Local Labour Offices agree with the enterprises on the joint acquisition of training courses. The share of the total volume of employment training for joint training courses was 6.6% in 1991 and 4.8 percent in 1996 (this scheme was practically non-existent in 1986). Employers meet, on average, 50% of the total training expenditure on joint training courses.

Table 37: Private funding of joint purchasing of employment training

	1986			1991			1996	
In mill FIM/MECU	Actual	1996	MECU	Actual	1996	MECU	1996	MECU
				65	74	12	60	10

4.2.5 Total level of funding

Table 38: Total level of funding for unemployment training

	1986		1991		1996	
In 1996 prices	Mill FIM	MECU	Mill FIM	MECU	Mill FIM	MECU
Unemployment training						
– EU	-	-	-	-	229	38
– State [1]	1,041	174	985	165	1,713	286
– Private [2]	-	-	74	12	117	20
Social Benefits						
– State	514	86	829	139	1,195	200
Indirect cost (private funding)					84 [3]	14
Total	**1,555**	**260**	**1,888**	**316**	**3,338**	**558**
Per capita (ECU)	*53*		*63*		*103*	
% of GDP	*0.31*		*0.34*		*0.55*	

[1] State funding does not include the funding element for study grants. For 1996, the figure in the table includes the national funding of EU programmes.

[2] For 1996, private funding also includes the private contribution to EU programmes excluding the salary element for apprentices participating in those programmes.

[3] This figure represents the salaries paid by enterprises to apprentices in EU-funded training programmes.

4.3 Funding distribution mechanism

The fifteen Employment and Economic Development Centres (Työvoima- ja elinkeinokeskus) form the regional organisations for certain ministries. They are the regional actors for the Ministry of Labour. The Centres are responsible for Local Labour Offices (työvoimatoimisto).

In the practical implementation of labour policies, the Ministry of Labour has adopted a performance-based steering and budgeting approach. According to national strategies, the Ministry of Labour negotiates with the Regional Centres on the implementation of labour policies at the regional level. This has led to a "result performance" agreement between the Ministry of Labour and the Regional Employment and Economic Development Centres. This agreement includes targeting, resources and budget allocation for the implementation of employment training policies at the regional level. Within the agreement between the Ministry of Labour and the individual Regional Centres, the Ministry defines approximately the average price of each training day per participant. This provides the Regional Centres with an estimate of the number of trainees for which it can buy training during the fiscal year. The agreements also stipulate certain priorities for the acquisition of training; for example, there may be targets for the amount of training for the long-term unemployed and/or older people, or there may be limits on the participation of employed people. The Regional Centres may allocate a share of their training budgets to the Local Labour Offices for the acquisition of employment training from the training providers. The Regional Centres, however, are mainly responsible for the acquisition of training.

The Ministry of Labour has outlined general rules concerning the purchase of training for unemployed. The Regional Centres and the Local Labour Offices contract with the training providers. The contracts include the general terms applicable and a plan on the implementation of training. The purchasing organisation, whether this is a Regional Centre or a Local Office, pays for the training according to the plan included in the contract. As already mentioned, the joint acquisition of training co-funded by enterprises and Regional Centres/Local Labour Offices is negotiated on a case- by-case basis.

4.4 Overall conclusions

The increase in the rate of unemployment during the early 1990s led to a heavy increase in the volume of employment training (130% between 1991 and 1996). The administrative reorganisation in funding training, linked with this increased volume, caused a sharp increase in the economic efficiency of training. In terms of training costs, one trainee place per year had an average price (in 1996 prices) of 63,000 FIM (10,500 ECU) in 1986 and an average price of 30,000 FIM (5,000 ECU) in 1996. Membership of the EU has led to a substantial increase in funding for training unemployed people and EU funding. In addition to national and private funding, the share of funding for EU programmes is one fourth of the total funding for training for unemployed people.

Part 5: The future of financing - trends and perspectives

5.1 Trends in VET funding 1986-96

Before illustrating the possible and probable trends in VET funding, it is useful to outline the broad trends in funding and the distribution system during the examined period 1986-96.

Table 39: Level and sources of funding

	1986 MECU	1991 MECU	1996 MECU	Change %
DIRECT FUNDING:				
Public Funding	**1,506**	**2,073**	**2,365**	**+57**
– IVT	1,162	1,600	1,625 [1]	+40
– CVT	84	169	213	+154
– Unemployed	260	304	525 [2]	+102
Private Funding	**173**	**204**	**367**	**+112**
– IVT	106	122	235	+122
– CVT	67	68	109	+63
– Training for unemployed	-	12	20 [3]	
TOTAL (direct)	**1,680**	**2,144**	**2,572**	**+53**
– IVT total	1,268	1,722	1,860	+47
– CVT total	151	237	322	+113
– Unemployed total	260	316	545	+109
INDIRECT FUNDING				
– IVT	33	39	194	+488
– CVT	47	38	50	+6
– Unemployed			14 [4]	
Total (indirect)	**80**	**87**	**259**	**+224**
In-Service Training				
– Direct	226	310	329	+46
– Indirect	226	310	329	+46
Total (in-service)	**452**	**618**	**658**	**+46**
OVERALL TOTAL	**2,212**	**2,849**	**3,489**	**+57**

[1] Public funding for IVT includes state and municipal funding for recurrent and capital costs, state funding for study aid and funding from the EU.

[2] For 1996 this figure includes EU funding and the national contribution to that funding.

[3] This is the private contribution to EU programmes and the enterprise contribution to joint funding for training for the unemployed excluding the salaries paid to apprentices.

[4] This represents the enterprise contribution for apprentice wages within EU programmes.

5.1.1 Trends in funding

The increase in IVT funding from 1986 parallels the growth in the number of students. Funding per student was growing until 1991, but since then it has been decreasing. The growth of private funding in IVT is due to the increase in VET institutions' own income.

The public funding of CVT has increased, mainly due both to the increase in volume and to the new forms of study aid for adults. Private funding has followed the growth in CVT volumes. The volumes and direct funding of training for the unemployed has been increasing in the 1990s, due to the high rates of unemployment. Membership in the EU has brought new means for funding employment training.

The indirect funding of VET has been growing in statistical terms because of the increase in the number of apprentices. The figures for funding in-service training are estimates. The figures for 1996 have been calculated on the assumption that the volume of in-service training has risen since the survey figures for 1995.

Direct private funding of VET is mainly comprised of the own earnings of VET institutions through selling products and services, and of the financing of Institutions for Specialised Training owned by enterprises. Thus, there is a very limited amount of combined (private and public) funding of training.

Staff development by training is, in practice, the only major form of funding training by the private sector. Lost wages caused by in-service and apprenticeship training are the source of indirect private funding of VET recorded here. The volume of apprenticeships has been increasing even within employment training, due to the financing of the new EU programmes in which national and private funding is required.

5.1.2 Funding distribution system

The public funding of VET can be divided into funding for (1) recurrent training costs, (2) capital costs, (3) special programmes and (4) study aid. The recurrent funding of initial vocational training and education is totally formula-based on per trainee costs (unit prices) and the number of trainees. As the quantitative planning and regulation system on the number of students in different fields of education is in the hands of national educational authorities, the expenditure volume of VET is within the control of the state.

Following the principles of lump-sum funding, it is at the discretion of the owner of the VET institution to decide about the level of funding. Municipalities are now the main owners of VET institutions providing initial VET. In recent years the state has, with some exceptions, handed over its VET institutions to municipalities. The funding of IVT has become one component in a quite complex system of funding institutions and the activities of municipalities. The lump sum formula for funding municipalities includes an element of funding vocational institutions (IVT) on the basis of number of trainees and the unit-prices for different fields of VET (see table 17 in 2.5.2). As a consequence, one trainee increases state funding of the municipality by 100% of the unit price. Funding from the state and the municipalities is closely connected. The lump-sum gross state subsidy for education is reduced by a per inhabitant sum, which is the municipalities' share of funding for education and training. For the federations of municipalities and private owners of VET institutions, the state subsidy is paid directly on the basis of 100% unit costs.

The owner of the institution takes the initiative for capital investment projects and is responsible for the financing of the project. The capital costs are financed by state subsidies within the limits of the state budget. There is also an investment addition of 4.3% on the unit prices (per student costs), which is added to the unit-prices to compensate for the capital costs of training institutions. The state subsidy system for capital costs covers a percentage share of capital costs for school buildings, and in certain cases, for training equipment. The owner of the institution is responsible for the planning, implementation and financing of the investment project. The state subsidy is either paid during the investment project or ex-post seven years after the completion of the project.

State funding for VET recurrent costs is based on a lump-sum principle with no earmarking in allocating the subsidy. In addition to national legislation, strategies and plans within VET policy also require earmarked resources to promote and implement special national programmes. The EU has also introduced substantial new elements into the development of national VET within the framework of targeting EU programmes. Recent examples of national development schemes include the programme for the promotion of "education and the information society" and the promotion of internationalisation and access to EU programmes for Finnish VET institutions. Likewise, the active participation and efficient implementation of the programmes within the EU Social Funds have required national resources. This type of funding is budgeted separately and is thus earmarked as extra funding to the basic lump-sum funding for VET institutions.

The funding of IVT has a very tight legislative basis. Due to the long-term planning required for the capacity of the IVT structure, there is little room for altering public spending in the short-term. The level of funding for CVT and for training the unemployed is more flexible and more dependent on the economic and employment situation within Finland.

5.2 Some perspectives on future developments in funding

5.2.1 Ideas to develop the funding system for municipalities

The state subsidy system for municipalities has been amended several times during the 1980s and 1990s and there are continued debates about altering it further. The amount of state subsidy for municipalities and federations of municipalities was 5,700 MECUs in 1996, which totals 17% of the state budget. First, there is a demand to completely abolish targeted subsidies in favour of general subsidies, thereby making no link to the volume of different services in individual municipalities. One argument has been to stop state funding for welfare services provided by the municipalities; the subsequent gap in funding would be compensated through a transfer from income tax collected by the state to municipal taxes. These are only some ideas of how to develop the funding of welfare services. The Ministry of Education and other educational authorities are opposed to such changes due to arguments concerned with maintaining a link between the volume, quality and funding of education on a national basis.

One of the issues on the funding of municipal services under discussion is whether the special system of state financing for educational capital investments should be abolished. The idea behind this is to increase efficiency in the acquisition, building and maintenance of school buildings, as well as to harmonise and to reduce administrative procedures.

5.2.2 Do the unit-prices keep pace with the real level of costs?

The rationale for the funding legislation in Finland has been to keep unit-prices in pace with real cost levels. During the difficult years of the Finnish recession, there was a tendency for unit-prices (per student costs), as the formula basis for VET funding, to be lower than the real per student costs within VET institutions. A gap still exists, and it is not very easy to change as it would require additional funding from the state budget. Nevertheless, it is assumed that the gap between real costs and unit-prices will close in the future.

5.2.3 Increase in the share of work-based learning brings more responsibility for employers in initial VET

As described in 2.1.1, the length of IVT courses for youngsters in the future will be 3 years, in which a minimum of half a year work-based learning will be included. This will increase the responsibility of employers in the initial training system and will raise the pressure for increasing their share of VET funding. This will be a crucial issue in negotiations concerning the implementation of new VET policies. The Prime Minister, the Minister of Education and the Chairmen of the employees and employers organisation have signed a basic agreement on workplace learning for initial training. The broad aim of this agreement is to give general support to the implementation of the new workplace learning period within vocational training. This can be characterised as a historical event in the Finnish VET system.

It is commonly accepted that the need to increase the share of private funding in VET is growing, although attitudes tend to be against the implementation of student fees. Some funding models which would increase the contribution of employers and employees have been presented by various interest organisations, although no practical model is ready.

5.2.4 Boundaries in funding responsibilities

As can be seen from the descriptions of the CVT system and its funding, there is a mix of CVT models. It is not always clear where the border lies between in-service training (on the assumption that employers finance this) and training that is financed by public funds. In recent years, there has been a trend to focus publicly funded CVT activity (including training for the unemployed) on examination-oriented courses.

5.2.5 Will the two main systems of funding continuing vocational training stay?

At present there are two separate systems of state funding for CVT. While the contents of the training courses in both systems are almost the same, they have different target groups (i.e. those in employment and unemployed people). One is under the Ministry of Education (CVT for the employed) and the other under the Ministry of Labour (CVT for unemployed people). Both systems are based on the acquisition of training from VET providers and the funding procedures are quite similar. The target of the system under the educational administration is to acquire training for (mainly) employed adults, while the target of the similar system in labour administration is to provide training for unemployed people. There are two regional organisations conducting this task: the State Provincial Offices (5) under the Ministry of Education, and the Regional Employment and Economic Development Centres (15) under the Ministry of Labour. There is currently a discussion as to whether these two systems should be harmonised and organised on a joint basis.

One alternative to the purchasing system for CVT is the lump-sum funding for CVT in VET institutions corresponding to the per trainee funding system of IVT. These are issues which will be addressed through the political system within the next years.

5.2.6 Performance-based funding

It is argued that per trainee based funding of IVT is not motivating the providers of training to optimise efficiency, although some norms have been given regarding the practical length of studies that can be funded by the state. There is also a problem caused by the increasing level of co-operation between educational institutions, in which the students are registered as funding units.

Some alternatives have been presented for intensifying incentives towards efficiency within lump sum funding. First, it might be possible to bind funding to the total number of "credits" (defined as study week units according to the length of study for individual courses) within a VET institution rather than to the number of trainees. Secondly, funding might be linked to the number of examinations undertaken in each year. Thirdly, a combination of different performance indicators might be used. A theoretically interesting idea is to connect VET funding to the rate of employment of newly qualified trainees. Each of these alternatives would result in a number of practical, technical and statistical problems; performance-based funding could be the next major step in developing the VET financing system.

5.3 Overall conclusions

The funding system for vocational education and training in Finland has been changed several times during the 1980s and 1990s. This applies to funding for initial vocational training, continuing vocational training and training for unemployed people. During the drafting of this report, it has been necessary to describe the new system while using figures from the pre-1997 system. It is not only the funding structure for VET which is changing, but also the whole VET system in terms of structural and organisational reform. Thus the description of the system is necessarily complex.

Over recent years, there has been a general emphasis on the delegation of responsibilities regarding VET funding to the local and regional levels. What kind of changes will occur in the next phase of development have been outlined at 5.2, although there are a significant number of educational experts who believe that the current system should be allowed to stabilise over the next 5-10 years before further reforms are made. This would also provide an opportunity to evaluate the effects of a number of the funding changes outlined within this report.

Annex 1: Outline of the legislative development of vocational education and training in Finland

1923	Act on Apprenticeship Training (Oppisopimuslaki)
1931	Act on Vocational Institutions (Ammattikoululaki)
1958	Amendment to the Vocational School Act (Ammattikoululain muutos)
1965	National Board of Vocational Education Act (Laki ammattikasvatushallituksesta)
	Act on Vocational Training Courses for the Promotion of Employment (Laki työllisyyttä edistävästä ammattikurssitoiminnasta)
1967	Act on Vocational Qualifications (Laki ammatillisista pätevyystutkinnoista)
	Act on Apprenticeship Training (Laki oppisopimuskoulutuksesta)
1975	Act on the Promotion of Vocational Education and Training in Developing Areas (Laki kehitysalueiden ammatillisen koulutuksen edistämisestä)
1976	Labour Market Training Act (Laki työllisyyskoulutuksesta)
1978	Upper Secondary Education Reform Act (Laki keskiasteen koulutuksen uudistamisesta)
1983	Act on the Financing for Vocational Institutions (Laki ammatillisten oppilaitosten rahoituksesta)
1986	Act on Social Benefits for Trainees at Vocational Institutions (Laki ammatillisten oppilaitosten opintososiaalisista eduista)
1987	Act on Vocational Institutions (Laki ammatillista oppilaitoksista)
1990	Act on Vocational Adult Education Centres (Laki ammatillisista aikuiskoulutuskeskuksista)
	Employment Training Act (Laki työvoimapoliittisesta aikuiskoulutuksesta)
	Act on Vocational Teacher Training Institutions (Laki ammatillisista opettajankoulutuslaitoksista)
1991	Act on National Board of Education (Laki Opetushallituksesta)
	Act on Initial Vocational Training and AMK Institutions Experiment (Laki nuorisoasteen ja ammattikorkeakoulujen kokeilusta)

1992	Act on Financing for Education and Culture (Laki opetus- ja kulttuuritoimen rahoituksesta) Act on Apprenticeship Training (Laki oppisopimuskoulutuksesta)
1994	Act on Vocational Qualifications (Ammattitutkintolaki)
1995	Act on Studies at AMK Institutions (Laki ammattikorkeakouluopinnoista)
1996	Act on Financing for Additional Vocational Training (Laki ammatillisen lisäkoulutuksen rahoituksesta) Act on Financing for Education and Culture (Laki opetus- ja kulttuuritoimen rahoituksesta)
1998	Act on Initial Vocational Education (Laki ammatillisesta koulutuksesta) Act on Continuing Vocational Training (Laki ammatillisesta aikuiskoulutuksesta) Act on Financing for Education and Culture (Laki opetus- ja kulttuuritoimen rahoituksesta)

Note: Above is referred to the year in which the law was passed (in the main text it is the first year of implementation). The Act on the Financing of Education and Culture from 1998 is part of a reform of the whole educational legislation and includes only technical changes to the act from 1996.

Annex 2: Glossary of terms

The following is a brief list of terms with some explanation as to how they have been used in this report, which has been prepared by the author. It makes no claim to be an authoritative terminological work.

Adult Vocational Training Centres/ammatilliset aikuiskoulutuskeskukset
Municipal or private educational institutions arranging vocational adult education. The centres provide the major part of labour market training for adults.

AMK-institutions (polytechnics)/ammattikorkeakoulut
Non university institutions of higher education, which offer vocational education.

Apprenticeship training/oppisopimuskoulutus
An individual, an employer and educational authority make a contract on in-job training of the trainee. The trainee also receives periods of theoretical studies in vocational institutions.

Initial apprenticeship training/oppisopimuskoulutus ammatillisena peruskoulutuksena
Apprenticeship training aiming at basic vocational examination parallel to initial vocational education.

Continuing apprenticeship training/oppisopimuskoulutus ammatillisena lisäkoulutuksena
Apprenticeship training as additional vocational training for adults parallel to CVT.

Basic vocational education for adults/aikuisten ammatillinen peruskoulutus
Education leading to a vocational qualification. The aims correspond to those of second level basic vocational education for young people.

Competence-based examination system
A system for adults to show their skills and knowledge in examinations to receive a diploma or vocational qualification.

Continuing vocational training /ammatillinen lisäkoulutus
Additional vocational training for adults with or without a basic vocational examination.

Educational committees/koulutustoimikunnat
Committees appointed by the National Board of Education. The committees are appointed for a three-year period, and they confirm the **national curriculum guidelines**. Members include representatives of the labour market, educational institutions, teachers and researchers in the field.

Employment training/työvoimapoliittinen aikuiskoulutus
Labour market training courses for adults arranged by the labour administration. This is primarily provided for unemployed adults and adults who are at risk of becoming unemployed. The labour administration purchases courses mainly from vocational institutions.

Federation of municipalities
Two or more municipalities which have established an organisation, for instance a vocational institution to take care of some special task.

Further vocational qualifications/ammattitutkinnot
Further and specialist vocational qualifications based on the 1994 act on further vocational qualifications. The principle is to award qualifications irrespective of how skills have been acquired. Qualifications can be obtained by taking a competence-based examination, for which there is no formal preparation.

Specialist vocational qualification/erikoisammattitutkinto
This is the second and more demanding level of vocational qualification for highly specialised experts.

Initial vocational education and training/ammatillinen peruskoulutus
All basic vocational education at the upper secondary vocational, AMK and university level for both youth and adults.

In-service training/henkilöstökoulutus
Training which employers offer to their own employees financed by the company itself. Such training usually lasts for a few days and is concentrated on one specific field or subject. The companies organise in-service training themselves or buy it from private training providers or public educational institutions.

Recurrent costs of VET/ammatillisen koulutuksen käyttökustannukset
Annual running costs of VET institutions and other forms of VET.

Capital costs of VET/ammatillisen koulutuksen perustamiskustannukset
Costs of building, acquisition and renovation of vocational institutions as well as the acquisition of major equipment for them.

Qualifications/Diplomas/tutkinnot
Qualifications and diplomas consist of **study units**, i.e. **modules**, and their scope is defined in terms of **credit units**. A qualification/diploma not only refers to the examination and study process, but also to the qualification obtained, the actual diploma/certificate and its level.

Self-motivated adult education and training/omaehtoinen ammatillinen koulutus
The purpose of self-motivated vocational training is to give adults an opportunity to develop their professional skills on their own initiative.

Specialised vocational institutions/ammatilliset erikoisoppilaitokset
Educational institutions owned by industry and business, mainly offering staff training to the company maintaining it.

Study aid/opintotuki
Different forms of grants given to the students and trainees to cover their living costs during the study period.

Student fees/oppilasmaksut
The fees collected by the educational institutions from the students and the trainees to cover the expenditure of training.

Unit price/yksikköhinta
Per student or per trainee cost of education in different fields of VET which is used as the basis for funding vocational education and training.

Vocational additional education/ammatillinen lisäkoulutus
Education leading to further vocational and specialist vocational qualification; further education or supplementary education.

Vocational institutions/ammatilliset oppilaitokset
Educational institutions which offer vocational education to both adults and young people.

Vocational special institutions/ammatilliset erityisoppilaitokset
Vocational institutions established to meet the needs of the mentally or physically handicapped.

Annex 3: Detailed tables of expenditure

TABLE 1: ANNUAL PUBLIC AND PRIVATE EXPENDITURE IN FIGURES AND AS % OF GNP (MECU) (GDP 495.9, 531.9, 576.9)

	1986		1991		1996	
	Figure	%	Figure	%	Figure	%
PUBLIC						
initial vocational training	1,162	1.40	1,600	1.80	1,628	1.69
continuing vocational training for the employed	84	0.10	169	0.19	213	0.22
training for the unemployed	260	0.31	304	0.34	524	0.54
Total public	**1,506**	**1.82**	**2,073**	**2.33**	**2,365**	**2.45**
PRIVATE						
initial vocational training	139	0.17	161	0.18	429	0.44
continuing vocational training for the employed	566	0.68	724	0.81	817	0.85
training for the unemployed[*]	-	-	12	0.00	34	0.04
Total private	**705**	**0.85**	**897**	**1.01**	**1,280**	**1.33**
TOTAL FUNDING	**2,211**	**2.67**	**2,970**	**3.34**	**3,645**	**3.77**

[*] Information only relevant in countries with private funding for training of unemployed.

TABLE 2(I): TRAINING EXPENDITURE BY SOURCES AVAILABLE, IN FIGURES AND IN PERCENTAGE OF TOTAL (MECU1986)

	IVT		CVT for the employed		Training for the unemployed	
	Figure	%	Figure	%	Figure	%
PUBLIC						
- EU funds	-		-		-	
- Central government	850	65.3	82	12.6	260	100
- Regional government	-	-	-	-	-	
- Local government	312	24.0	2	0.2	-	
Total, public	**1,162**	**89.3**	**84**	**12.9**	**260**	**100**
PRIVATE						
- Sector funds	-	-	-	-	-	
- Enterprises	134	10.3	565	86.9	-	
- Individuals	5	0.4	1	0.2	-	
Total, private	**139**	**10.7**	**566**	**87.1**	**-**	
TOTAL	**1,301**	**100**	**650**	**100**	**260**	**100**

TABLE 2(II): TRAINING EXPENDITURE BY SOURCES AVAILABLE, IN FIGURES AND IN PERCENTAGE OF TOTAL (MECU1991)

	IVT		CVT for the employed		Training for the unemployed	
	Figure	%	Figure	%	Figure	%
PUBLIC						
- EU funds	-		-		-	
- Central government	1,122	63.7	168	18.8	304	96.2
- Regional government	-	-	-	-	-	
- Local government	478	27.1	1	0.1	-	
Total, public	**1,600**	**90.9**	**169**	**18.9**	**304**	**96.2**
PRIVATE						
- Sector funds	-	-	-	-	-	-
- Enterprises	160	9.1	723	81.0	12	3.8
- Individuals	1	0.0	1	0.1	-	
Total, private	**161**	**9.1**	**724**	**81.1**	**12**	**3.8**
TOTAL	**1,761**	**100%**	**893**	**100%**	**316**	**100%**

TABLE 2(III): TRAINING EXPENDITURE BY SOURCES AVAILABLE, IN FIGURES AND IN PERCENTAGE OF (TOTAL (MECU1996)

	IVT		CVT for the employed		Training for the unemployed	
	Figure	%	Figure	%	Figure	%
PUBLIC						
- EU funds	16	0.8	7	0.7	38	6.8
- Central government	1,070	52.0	201	19.5	486	87.1
- Regional government	-	-	-	-	-	-
- Local government	542	26.3	5	0.5	-	-
Total, public	**1,628**	**79.1**	**213**	**20.7**	**524**	**93.9**
PRIVATE						
- Sector funds	-	-	-	-	-	-
- Enterprises	428	20.8	810	78.6	34	6.1
- Individuals	1	0.0	7	0.7	-	-
Total, private	**429**	**20.9**	**817**	**79.3**	**34**	**6.1**
TOTAL	**2,057**	**100%**	**1,030**	**100%**	**558**	**100%**

TABLE 3(I): PROVISION OF FUNDS BY SOURCES AND BY TRAINING TYPE (MECU 1986)

Subject		Source	Funding			Amount per training type		
			direct	indirect	total	IVT	CVT	UVT
Public funding		EU	-	-	-	-	-	-
		National [1]	1,192	-	1,192	850	82	260
		Regional	-	-	-	-	-	-
		Local	314	-	314	312	2	-
Public, total			**1,506**	**-**	**1,506**	**1,162**	**84**	**260**
Private funding	Compulsory	Sector	-	-	-	-	-	-
		Enterprise	-	-	-	-	-	-
		Individual	5	-	5	5	-	-
		Others	-	-	-	-	-	-
	Non-compulsory	Sector	-	-	-	-	-	-
		Enterprise	281	306	587	33	554	-
		Individual	1	-	1	-	1	-
		Others [2]	112	-	112	101	11	-
Private, total			**399**	**306**	**705**	**139**	**566**	**-**
Total funding			**1,905**	**306**	**2,211**	**1,301**	**650**	**260**

[1] Funds collected by social and unemployment insurance fees are included in the national sources

[2] Income earned by VET institutions by selling goods and products

TABLE 3(II): PROVISION OF FUNDS BY SOURCES AND BY TRAINING TYPE (MECU 1991)

Subject		Source	Funding			Amount per training type		
			direct	indirect	total	IVT	CVT	UVT
Public funding		EU	-	-	-	-	-	
		National [1]	1,594	-	1,594	1,122	168	304
		Regional	-	-	-	-	-	-
		Local	479	-	479	478	1	-
Public, total			**2,073**	**-**	**2,073**	**1,600**	**169**	**304**
Private funding	Compulsory	Sector	-	-	-	-	-	-
		Enterprise	-	-	-	-	-	-
		Individual	1	-	1	1	-	-
		Others	-	-	-	-	-	-
	Non-compulsory	Sector	-	-	-	-	-	-
		Enterprise	380	386	766	39	715	12
		Individual	1	-	1	-	1	-
		Others [2]	129	-	129	121	8	-
Private, total			**511**	**386**	**897**	**161**	**724**	**12**
Total funding			**2,584**	**386**	**2,970**	**1,761**	**893**	**316**

[1] Funds collected by social and unemployment insurance fees are included in the national sources

[2] Income earned by VET institutions by selling goods and products

TABLE 3(III): PROVISION OF FUNDS BY SOURCES AND BY TRAINING TYPE (MECU 1996)

Subject		Source	Funding			Amount per training type		
			direct	indirect	total	IVT	CVT	UVT
Public funding		EU	61	-	61	16	7	38
		National [1]	1,757	-	1,757	1,070	201	486
		Regional	-	-	-	-	-	-
		Local	547	-	547	542	5	-
Public, total			**2,365**		**2,365**	**1,628**	**213**	**524**
Private funding	Compulsory	Sector	-	-	-	-	-	-
		Enterprise	-	-	-	-	-	-
		Individual	1	-	1	1	-	-
		Others	-	-	-	-	-	-
	Non-compulsory	Sector	-	-	-	-	-	-
		Enterprise	434	590	1,024	194	796	34
		Individual	7	-	7	-	7	-
		Others [2]	248	-	248	234	14	-
Private total			**690**	**590**	**1,280**	**429**	**817**	**34**
Total funding			**3,055**	**590**	**3,645**	**2,057**	**1,030**	**558**

[1] Funds collected by social and unemployment insurance fees are included in the national sources

[2] Income earned by VET institutions by selling goods and products

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The financing of vocational education and training in Finland

Financing portrait

In recent years, the vocational education and training (VET) system in Finland has undergone major changes in the institutional and administrative structure, in the ownership of institutions and in the structure of vocational qualifications. The funding system of VET has been developed stepwise during the last decade. These steps have been closely connected with the strengthening of the position of local and institutional levels in the VET system. Thus, the funding models of VET have been developed as one part of the general funding system for municipalities, which are, in the main, responsible for the production of welfare services, including education, culture, health and social services.

This publication charts and analyses VET funding in Finland in 1986, 1991 and 1996. It gives the figures on the level and distribution of VET expenditure and funding sources. The funding distribution system is depicted. As background information, the report describes the political, legislative and administrative framework for VET in Finland. The future perspectives for VET and its funding are also outlined. This analysis constitutes the Finnish contribution to CEDEFOP's series of VET financial portraits for EU Member States.

Kari Pitkanen

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